

# Comprehensive Annual Financial Report



Airport Runway 8-26



SJC Historical Society Building Remodel



Riverside Park Stage & Pavilions



Tigers for Median

City of Aztec New Mexico  
July 1, 2010 to June 30, 2011



**CITY OF AZTEC  
STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
Year Ended June 30, 2011**

## **INTRODUCTORY SECTION**

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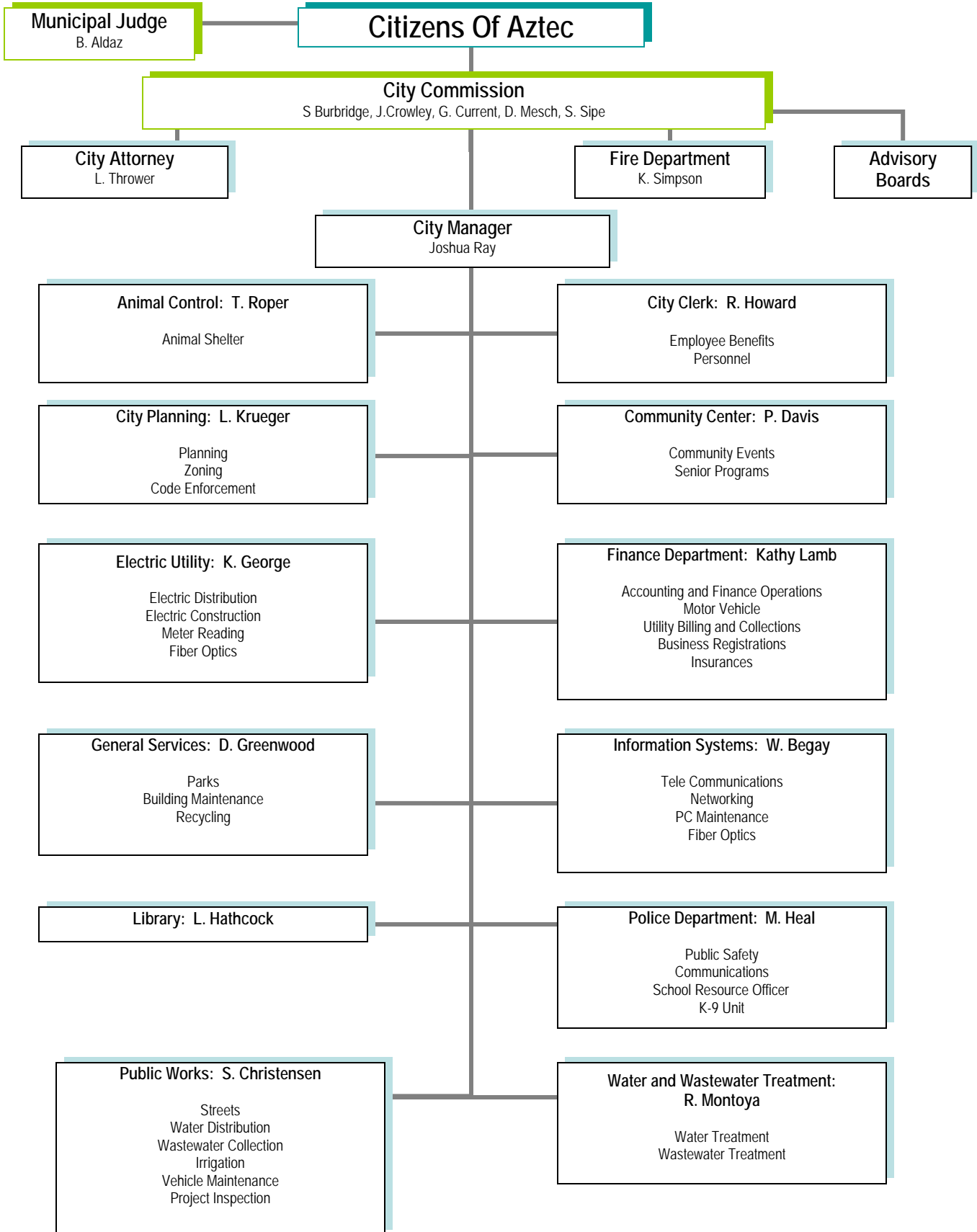
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# CITY OF AZTEC, NEW MEXICO

## ORGANIZATIONAL CHART

June 30, 2011



**CITY OF AZTEC, NEW MEXICO**  
**List of Principal Officials**

<u>Title</u>	<u>Name</u>
Mayor .....	Sally Burbridge
Mayor Pro-Tem .....	Jim Crowley
City Commissioner .....	Diana C. Mesch
City Commissioner .....	Sherri A. Sipe
City Commissioner .....	Eugene L. Current
City Manager .....	Joshua Ray
Finance Director .....	Kathy Lamb

## **FINANCIAL SECTION**



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## Independent Auditor's Report

City of Aztec  
Aztec, New Mexico  
Honorable Mayor and City Commission, and  
Hector H. Balderas, New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the City of Aztec, New Mexico (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental and fiduciary funds, each nonmajor governmental funds, and all enterprise funds, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary funds of the City, as of June 30, 2011, and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the nonmajor governmental funds, and all enterprise funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages ix through xxii are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information included in the accompanying introductory section and statistical section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subject to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "David Berry, CPA, PC". The signature is written in a cursive style with a large, sweeping initial "D".

Farmington, New Mexico  
August 31, 2012

## Management's Discussion and Analysis

As management of the City of Aztec, we offer readers of the City of Aztec's financial statements this narrative overview and analysis of the financial activities of the City of Aztec for the fiscal year ended June 30, 2011.

### Financial Highlights

- The assets of the City of Aztec exceeded its liabilities at the close of the most recent fiscal year by \$59,900,270 (*net assets*). Of this amount, \$17,543,728 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to its citizens and creditors.
- Total net assets increased by \$4,352,365 from the prior year.
- As of the close of the current fiscal year, the City of Aztec's governmental funds reported combined ending fund balances of \$9,368,561 a decrease of \$534,296 in comparison with the prior year. Approximately 39.1% of this total fund balance amount, \$3,660,757, is available for spending at the City's discretion (*unrestricted fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,660,757 or 61.4 percent of the total general fund expenditures.

### Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Aztec's basic financial statements. The City of Aztec's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** *The government-wide financial statements are designed to provide readers with a broad overview of the City of Aztec's financial condition, in a manner similar to a private-sector business. These statements consist of the statement of net assets and the statement of activities.*

The *statement of net assets* presents information on all of the City of Aztec's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Aztec is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave, etc).

Both of the government-wide financial statements distinguish functions of the City of Aztec that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Aztec include general government, public safety, public works, culture and recreation, and health and welfare. The business-type activities of the City of Aztec include a joint utility fund comprised of electric, water, and wastewater utilities, solid waste operations and irrigation operations.

The government-wide financial statements can be found on pages 3-4 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Aztec, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Aztec can be divided into two categories: (1) governmental funds and (2) proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Aztec maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Municipal Road Fund and Airport Fund, all of which are considered to be major funds. In FY11, the City implemented GASB 54. Governmental fund balances are now classified as *nonspendable, restricted, committed, assigned* and *unassigned*. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of *combining statements* following the notes to the financial statements (pages 37-40).

The City of Aztec adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for the governmental funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 5-10 of this report.

**Proprietary funds.** The City of Aztec maintains one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Aztec uses three enterprise funds to account for its electric, water, wastewater, sanitation and irrigation operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the joint utility fund (electric, water, and wastewater operations), solid waste and irrigation operations and are found on pages 55-57 of this report.

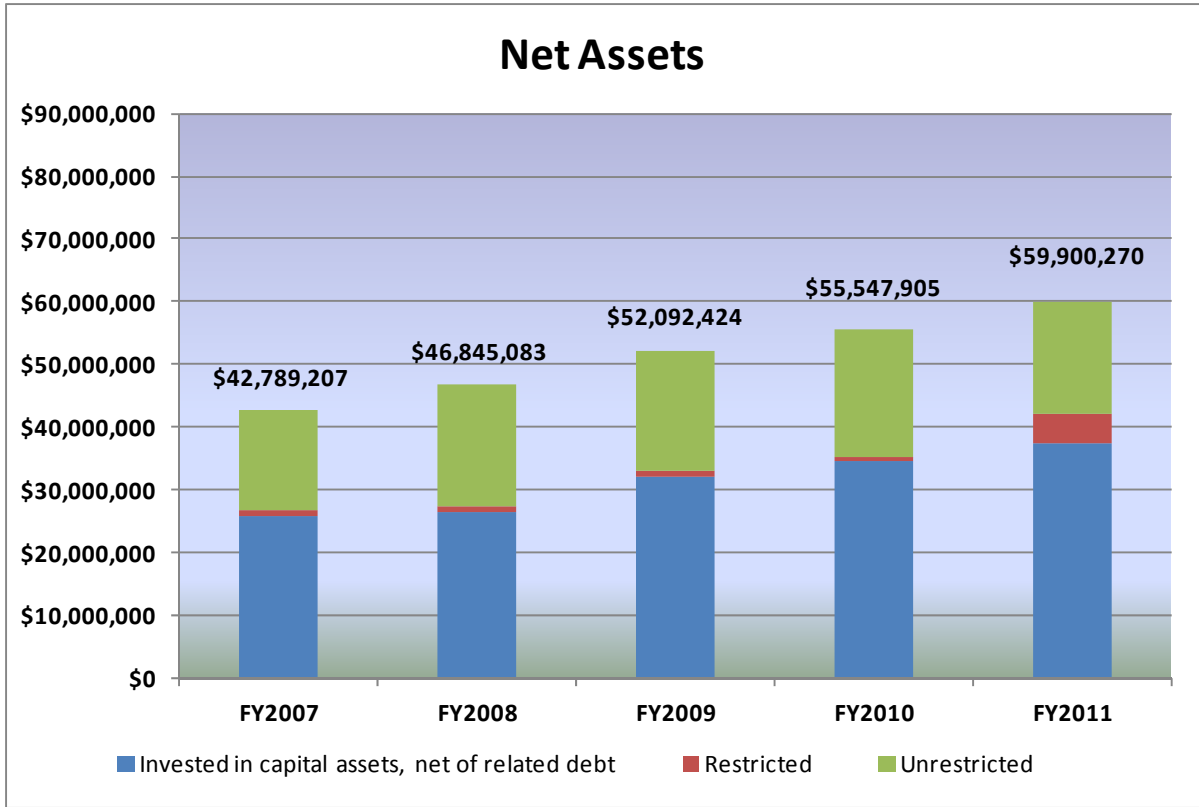
**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Aztec's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund statements can be found on page 14 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-31 of this report.

## **Government-wide Financial Analysis**

As noted earlier, over time net assets may serve as a useful indicator of a government's financial position. In the case of the City of Aztec, assets exceeded liabilities by \$59,900,270 at the close of FY2011. Below is a chart indicating the net asset growth over the last five fiscal years.



The largest portion of the City of Aztec’s net assets (\$37,359,424 or 62.4%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Aztec uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Aztec’s investment in its capital assets is reported net of related debt, it should be noted that the resources required to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Aztec's Net Assets						
	Governmental Activities		Business-type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Current and other assets	\$11,953,511	\$11,629,960	\$15,423,972	\$13,921,147	\$27,377,483	\$25,551,107
Capital assets	19,085,883	15,660,942	28,456,104	29,108,148	47,541,987	44,769,090
Total assets	31,039,394	27,290,902	43,880,076	43,029,295	74,919,470	70,320,197
Long-term liabilities outstanding	4,549,987	4,701,104	7,091,423	7,469,363	11,641,410	12,170,467
Other liabilities	2,051,342	1,230,274	1,326,448	1,371,551	3,377,790	2,601,825
Total liabilities	6,601,329	5,931,378	8,417,871	8,840,914	15,019,200	14,772,292
Net assets						
Invested in capital assets, net of related debt	15,877,838	12,817,692	21,481,586	21,749,963	37,359,424	34,567,655
Restricted	4,553,662	739,306	443,456	69,135	4,997,118	808,441
Unrestricted	4,006,565	7,802,526	13,537,163	12,369,283	17,543,728	20,171,809
Total net assets	\$24,438,065	\$21,359,524	\$35,462,205	\$34,188,381	\$59,900,270	\$55,547,905

Another portion of the City of Aztec's net assets (\$4,997,118 or 8.3%) are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$17,543,728 or 29.3%) may be used to meet government's ongoing obligations.

At the end of the current fiscal year, the City of Aztec has achieved positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City of Aztec's net assets increased by \$4,352,365 during the current fiscal year. This increase represents the continuing commitment of the Aztec City Commission and administration to build the financial stability of the City of Aztec.

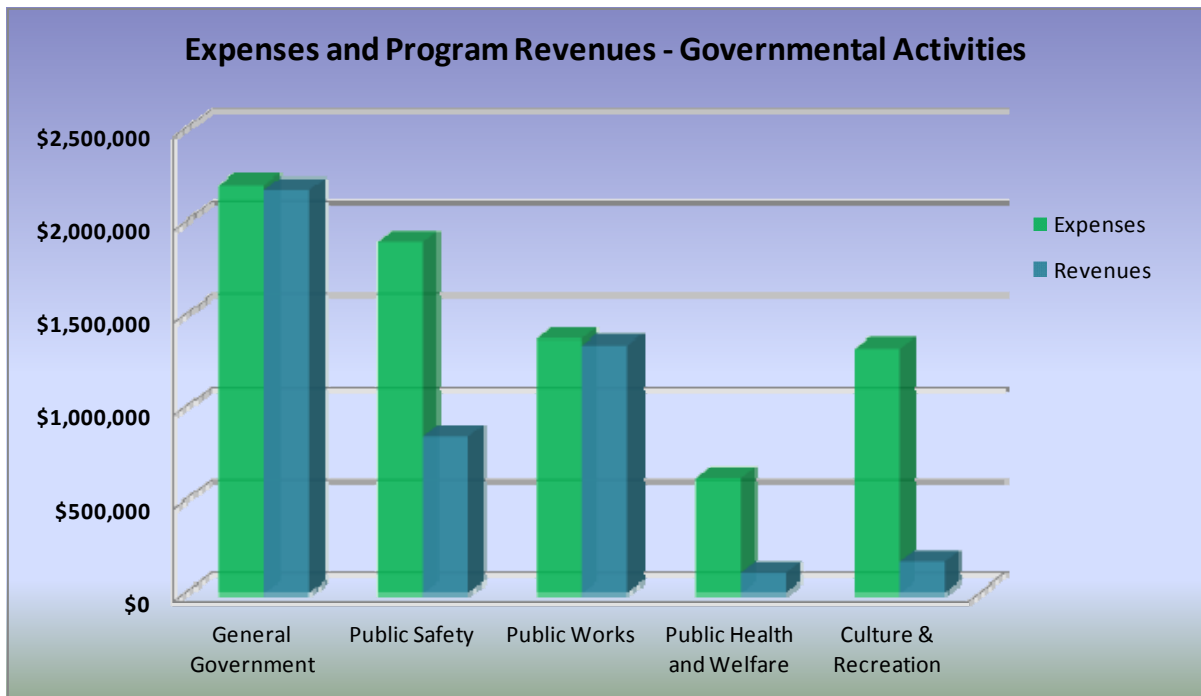


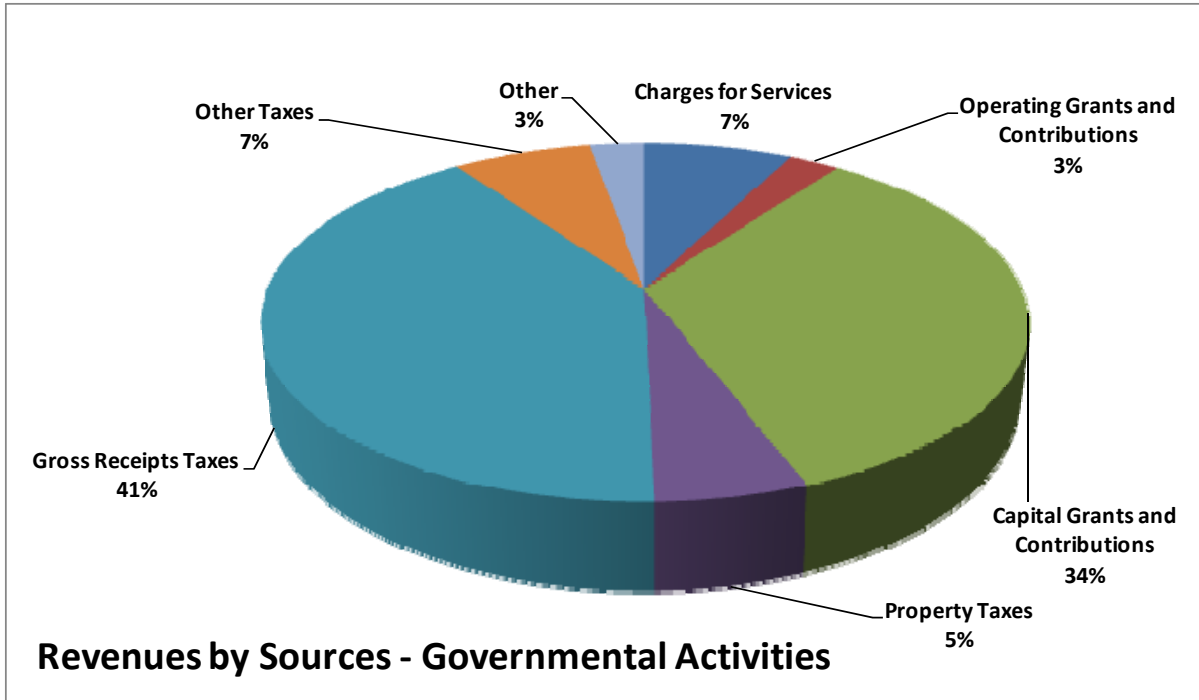
City of Aztec's Changes in Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Revenues:						
Program Revenues:						
Charges for Services	\$782,986	\$822,494	10,239,327	\$10,261,422	11,022,313	\$11,083,916
Operating Grants and contributions	269,709	437,993			269,709	437,993
Capital Grants and contributions	3,578,843	2,742,777	172,931	5,689,497	3,751,774	8,432,274
General Revenues:						
Property Taxes	571,668	522,553			571,668	522,553
GRT Taxes	4,255,156	4,090,147	88,721	85,308	4,343,877	4,175,455
Other Taxes	732,324	711,960			732,324	711,960
Other	287,405	235,353	64,379	82,295	351,784	317,648
Total Revenues	10,478,091	9,563,277	10,565,358	16,118,522	21,043,449	25,681,799
Expenses:						
General Government	2,199,348	2,257,458			2,199,348	2,257,458
Public Safety	1,891,687	3,755,435			1,891,687	3,755,435
Public Works	1,370,015	3,887,767			1,370,015	3,887,767
Public Health & Welfare	620,409				620,409	
Culture & Recreation	1,317,231	2,289,542			1,317,231	2,289,542
Joint Utility			8,610,592	9,367,458	8,610,592	9,367,458
Solid Waste			672,493	660,642	672,493	660,642
Irrigation			9,309	8,016	9,309	8,016
Total Expenses	7,398,690	12,190,202	9,292,394	10,036,116	16,691,084	22,226,318
Increase in net assets before transfers	3,079,401	(2,626,925)	1,272,964	6,082,406	4,352,365	3,455,481
Transfers	(860)	(539,254)	860	539,254	0	0
Restatement						
Increase in net assets	3,078,541	(3,166,179)	1,273,824	6,621,660	4,352,365	3,455,481
Net assets – 6/30/10	21,359,524	24,525,703	34,188,381	27,566,721	55,547,905	52,092,424
Net assets – 6/30/11	\$24,438,065	\$21,359,524	\$35,462,205	\$34,188,381	\$59,900,270	\$55,547,905

**Governmental activities.** Governmental activities increased the City of Aztec's net assets by \$3,078,541. Key elements of the change in net assets are as follows:

- Property taxes increased by \$49,115 (9.4%) during the year attributable to the decrease in oil and gas production;

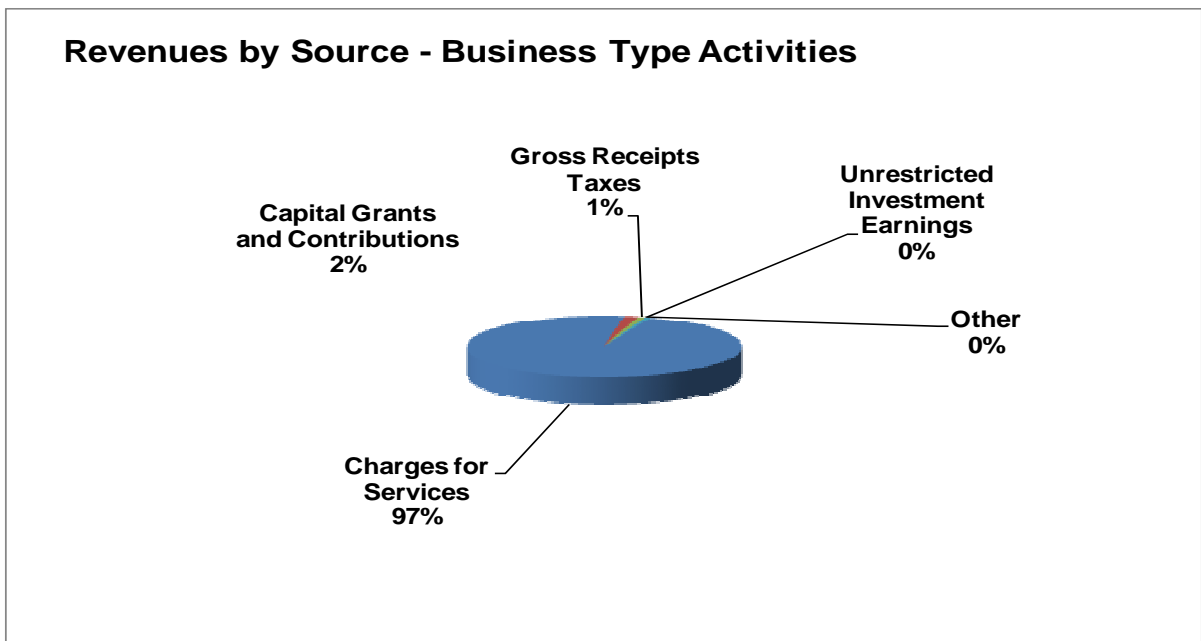
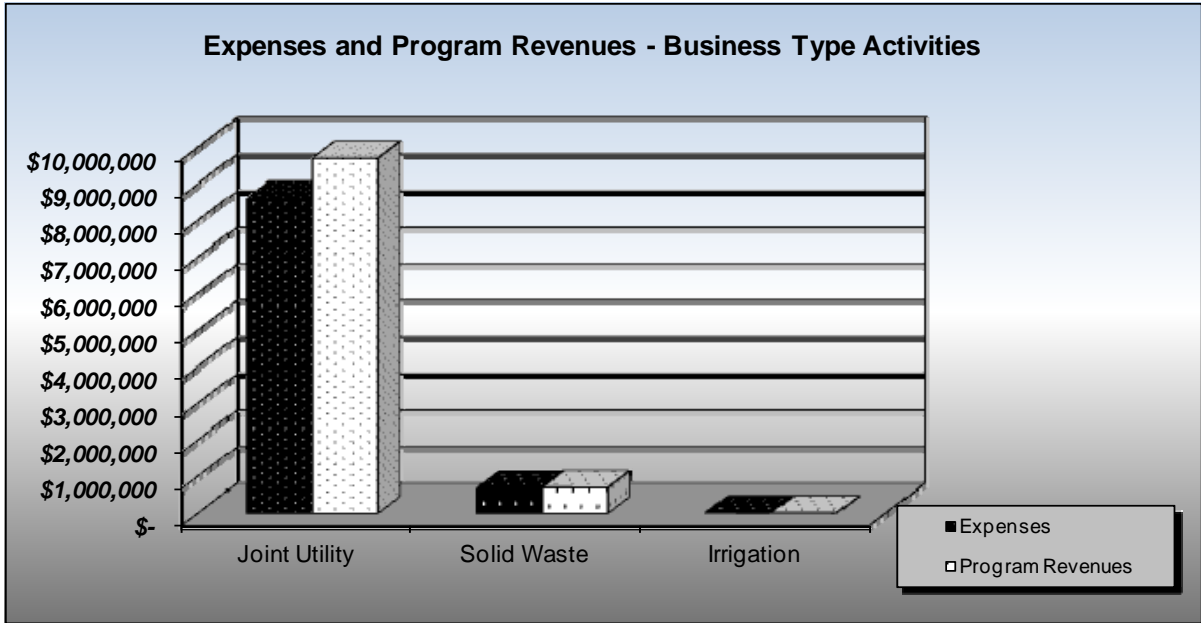
- Gross Receipts Tax revenues increased by \$165,009 (4%) during the year and may be attributable to a slow recovery of the regional economy.
- Capital Grant and Contributions revenues increased by primarily due to a Federal Aviation Administration grant for improvements to the Aztec Municipal Airport. In the amount of \$1,661,594





**Business-type activities.** Business-type activities increased the City of Aztec's net assets by \$1,273,824, accounting for 29.3 percent of the total growth in the government's net assets. Key financial elements of the past year are as follows:

- Operating expenses are 90.75 percent of revenues, resulting in \$946,933 in operating income.
- Total joint utility fund operating revenues decreased by \$22,095 or 0.2%.
  - Electric revenues decreased by \$116,310 or 1.8%
  - Water revenues increased by \$36,407 or 1.7%
  - Wastewater revenues increased by \$101,998 or 10%



## Financial Analysis of the Government's Funds

As noted earlier, the City of Aztec uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Aztec's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Aztec's financing requirements. In particular, *unrestricted fund balance* (consisting of *committed* and *unassigned* balances) may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the June 30, 2011, the City of Aztec's governmental funds reported combined ending fund balances of \$9,368,561, a decrease of \$534,296 in comparison with the prior year. Approximately 39.1 percent of this total amount or \$3,660,757 constitutes *unrestricted fund balance* which is available for spending at the government's discretion. The remainder of the balance is reserved to indicate that it is not available for new spending because it is *nonspendable* (\$994,987), *restricted* (\$4,553,662), and *committed* (\$159,155).

*General Fund.* The general fund is the chief operating fund of the City of Aztec. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,660,757 while total fund balance was \$5,311,174. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 61.4% of total fund expenditures, while total fund balance represents 89% of the same amount. The fund balance of the City of Aztec's general fund increased \$105,135 or 2% during the current fiscal year.

The total increase in general fund revenue was \$313,560 or 5.3%. Revenue categories contributing to the increase in general fund revenue include property tax, gross receipts tax and franchise tax revenues. Property tax revenues increased \$26,501 (5.2%) due to an increase in assessed property values. Gross receipts tax revenues increased \$138,497 (4.0%) primarily in the food sales and medical services. Franchise taxes increased \$70,612 (14.9%) primarily due to an increase in tax revenues from the City's electric, water and wastewater utilities. Intergovernmental revenues increased by \$118,985 (21.5%), primarily the result of an increase in the Small Cities Assistance Grant, an increase of \$140,710 over FY2010. Investment earnings decreased \$13,195, the result of continuing low interest rates.

General Fund expenditures for FY2011 decreased \$466,245 (7.3%), compared to FY10, primarily the result of management's continued efforts to reduce recurring operating costs through attrition, reorganization of departments, and review of professional agreements.

*Major Funds.* Other key governmental-type funds, other than the general fund, include the municipal road fund and airport fund. The municipal road fund is funded primarily with Gross Receipt Tax (.125%) revenue and Gasoline Tax. Tax revenues in the road fund increased \$23,861 (6.8%). The City received ARRA funds (\$1,182,283) for the construction of phase 1a of the East Aztec Arterial.

The airport fund was the recipient of grant funds from the Federal Aviation Administration and NMDOT Aviation Division for the reconstruction of a runway at the Aztec Municipal Airport. Grant revenues totaled \$1,710,660 and construction costs were \$1,749,996. The project was completed during FY11.

**Proprietary funds.** The City of Aztec's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the joint utility fund at the end of the year amounted to \$13,154,538, for solid waste \$247,734, and irrigation \$134,891. The total growth in net

assets for the joint utility fund was \$1,249,100, for solid waste fund was \$20,188 and irrigation fund \$4,536.

### **Government Wide Budgetary Highlights**

During the fiscal year, the City Commission approved adjustments to the City's budget. The majority of the adjustments were made during the mid-year budget adjustment process.

Differences between the original budget and the final amended budget were \$2,007,241 which represents an 8.4 percent increase in appropriations.

- Major adjustments included:
  - \$1,720,511 in the airport fund in federal and state grants for runway reconstruction.
  - \$160,000 for the water infrastructure improvements on Navajo Dam Road.
  - \$55,000 for the remodeling of a city building for the San Juan County Historical Society
  - \$26,474 for a PetSmart Charities grant for equipment purchases and kennel improvements at the city's animal shelter.

In the general fund, actual revenue exceeded budgetary estimates by \$741,495 or 13.4%. This increase is primarily attributable to gross receipts tax revenues which were budgeted conservatively due to regional economic concerns. While the tax revenues did exceed the budget estimate during FY11, the revenues were approximately 3.5% (\$152,555) less than FY10 (cash basis). General Fund expenditures were under budget by \$1,166,954 or 16.3%, the result of conservative spending throughout the year.

The joint utility fund actual revenue were under budget by \$13,144, less than 1%, and actual operating expenses were under budget by \$1,954,421 or 20%.

### **Capital Asset and Debt Administration**

**Capital assets.** The City of Aztec's investment in capital assets for its governmental and business type activities as of June 30, 2011, amounts to \$47,541,987 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, utility systems, machinery and equipment, park facilities, roads, highways, and bridges. The business-type capital assets accounted for \$28,456,104 or 60 percent of the total City of Aztec capital assets. Business type assets decreased in net value by \$652,044 or 2.2%.

The governmental activities investment in capital assets accounted for \$19,085,883 or 40 percent of all capital assets owned by the City.

Major capital asset events during this fiscal year including the following:

- Completion of East Aztec Arterial Phase 1a;
- Construction of Aztec Tiger Park recreational area;
- Reconstruction of Runway 8-26;
- Improvements to Hartman Park including bleacher replacement at the YAFL, soccer and baseball facilities; construction of concession stand at the YAFL and soccer facilities;
- Remodel of city building for San Juan County Historical Society;
- Customer funded electric infrastructure expansion including ConocoPhillips Disposal Well, Aztec Speedway concession stand;
- Electric infrastructure improvements along Ruins Road;
- Waterline infrastructure along Navajo Dam Road;
- Continued regular scheduled replacement of vehicles and heavy equipment.

**City of Aztec's Capital Assets**  
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Land	638,435	638,435	694,402	694,402	1,332,837	1,332,837
Buildings & System	5,384,650	5,379,889	26,835,532	27,518,973	32,220,182	32,898,862
Improvements	1,432,645	1,389,554	0	0	1,432,645	1,389,554
Machinery & Equipment	1,220,382	1,306,727	910,920	847,765	2,131,302	2,154,492
Infrastructure	7,675,456	6,123,826	0	0	7,675,456	6,123,826
Construction in Progress	2,734,315	822,511	15,250	47,008	2,749,565	869,519
<b>Total</b>	<b>\$19,085,883</b>	<b>\$15,660,942</b>	<b>\$28,456,104</b>	<b>\$29,108,148</b>	<b>\$47,541,987</b>	<b>\$44,769,090</b>

Capital expenses for the electric utility system scheduled in the current five-year capital improvements plan include the city-wide replacement of electric distribution poles, fiber optic network expansion and continued customer requested electric line extensions. The City expects to fund these projects from electric customer-generated revenues.

Capital expenses for the water utility system scheduled in the current five-year capital improvements plan principally include upgrades and replacements of existing facilities to maintain the existing system and meet future demand requirements. The capital expenditures are expected to total \$3,500,000 for fiscal years 2012 and 2013. The improvements will be funded through a combination of internally generated funds, grants and loan proceeds.

Wastewater system improvements include the completion of the wastewater treatment facility. Additional automation improvements are anticipated for fiscal year 2012 and are expected to total \$500,000 and will be funded through internally generated funds.

Additional information on the City of Aztec's capital assets can be found in note C on pages 24-25 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Aztec had no bonded debt outstanding.

Additional information on the City of Aztec's long-term debt can be found in note E on pages 26-28 of this report.

**Debt limitation.** Article IX, Section 13 of the State Constitution limits the powers of the City to incur general obligation debt in an aggregate amount, including existing indebtedness, not to exceed four percent of the value of the taxable property in the City as shown by the last preceding general assessments. The City may, however, contract debt in excess of such limitation for the construction or purchase of a system for supplying water or a sewer system for the City. Based on the 2011 assessed valuation of \$111,442,655, the City's general obligation debt limit is \$4,457,706. The City presently has no general obligation bonds outstanding.

**Future bond financing activities.** None

### **Economic Factors and Next Year's Budgets and Rates**

The governing body, beginning with the FY2010 budget, required significant reductions to departmental budgets (both governmental and business-type activities) to reduce the use of cash reserves to balance the annual budget. A process began in FY2011 to review all city operations to streamline costs, increase efficiency and productivity. The goal for the FY2014 budget is to be revenue neutral.

Personnel positions – while the city does not have a hiring freeze, any position request or replacement must be justified by the requesting department and approved by the City Manager. COLA increases of 1.6% and merit increases (up to 1.4%) are included in the FY2012 budgets. The City participates in the State of New Mexico employee health care insurance plans which had no premium increases in FY11 and none is anticipated during FY2012. The City continues to provide employees the opportunity for both vacation and sick leave buyback as provided in the City Personnel Policy.

Capital purchases – vehicle and equipment purchases, although scheduled through a managed plan, are reviewed and again, only with critical need documentation and city manager approval, are purchases allowed.

San Juan County is dependent on the energy industry and changes in federal and state regulations have impacted the industry. The industry is slowly recovering but will continue



to impact City revenues into FY2012 and potentially FY2013 resulting in continued conservative tax revenue estimates.

No City initiated rate increases are anticipated in the gross receipts or property tax rates for FY12 or FY13.

Utility rates are regularly reviewed to ensure the availability of sufficient revenues to cover operating and maintenance costs as well as providing a reserve for future capital improvements and expansion.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Aztec's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 201 W Chaco, Aztec, NM 87410.

## **Basic Financial Statements**

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**CITY OF AZTEC, NEW MEXICO**  
**Statement of Net Assets**  
**June 30, 2011**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 6,382,174	\$ 12,914,285	\$ 19,296,459
Cash with fiscal agent	1,224,817	55,887	1,280,704
Receivables (net, where applicable, of allowances for uncollectibles)	-	1,125,550	1,125,550
Interest receivable	-	27,427	27,427
Intergovernmental receivable	3,975,910	553,898	4,529,808
Other receivables	123,686	-	123,686
Internal balances	244,783	(244,783)	-
Inventories	-	991,404	991,404
Prepays	2,141	304	2,445
Capital assets:			
Non-depreciable assets	3,372,750	709,652	4,082,402
Depreciable assets, net	15,713,133	27,746,452	43,459,585
Total assets	31,039,394	43,880,076	74,919,470
<b>LIABILITIES:</b>			
Accounts payable	1,857,800	745,272	2,603,072
Accrued payroll, taxes and benefits	157,942	167,093	325,035
Accrued interest payable	31,780	32,295	64,075
Unearned revenue	3,820	81,904	85,724
Customer deposits	-	299,884	299,884
Non-current liabilities:			
Due within one year	417,530	512,104	929,634
Due in more than one year	4,132,457	6,579,319	10,711,776
Total liabilities	6,601,329	8,417,871	15,019,200
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	15,877,838	21,481,586	37,359,424
Restricted for:			
Public safety	745,051	-	745,051
Lodgers promotion	19,086	-	19,086
Capital projects	2,979,810	-	2,979,810
Debt service	151,005	443,456	594,461
Subsequent year's statutory reserve	658,710	-	658,710
Unrestricted	4,006,565	13,537,163	17,543,728
Total net assets	\$ 24,438,065	\$ 35,462,205	\$ 59,900,270

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,199,348	\$ 234,996	\$ 108,218	\$ 1,831,855	\$ (24,279)	\$ -	\$ (24,279)
Public safety	1,891,687	444,413	28,399	372,674	(1,046,201)	-	(1,046,201)
Public works	1,370,015	28,480	69,651	1,236,341	(35,543)	-	(35,543)
Public health and welfare	620,409	25,531	62,441	19,021	(513,416)	-	(513,416)
Culture and recreation	1,317,231	49,566	1,000	118,952	(1,147,713)	-	(1,147,713)
Total governmental activities	<u>7,398,690</u>	<u>782,986</u>	<u>269,709</u>	<u>3,578,843</u>	<u>(2,767,152)</u>	<u>-</u>	<u>(2,767,152)</u>
Business-type activities:							
Joint utility	8,610,592	9,534,607	-	172,931	-	1,096,946	1,096,946
Solid waste	672,493	691,561	-	-	-	19,068	19,068
Irrigation	9,309	13,159	-	-	-	3,850	3,850
Total business-type activities	<u>9,292,394</u>	<u>10,239,327</u>	<u>-</u>	<u>172,931</u>	<u>-</u>	<u>1,119,864</u>	<u>1,119,864</u>
Total government	<u>16,691,084</u>	<u>11,022,313</u>	<u>269,709</u>	<u>3,751,774</u>	<u>(2,767,152)</u>	<u>1,119,864</u>	<u>(1,647,288)</u>
General revenues:							
Property taxes					571,668	-	571,668
Gross receipts tax					4,255,156	88,721	4,343,877
Franchise taxes					544,923	-	544,923
Other taxes					187,401	-	187,401
Miscellaneous					247,095	-	247,095
Unrestricted investment earnings					40,310	64,379	104,689
Transfers					(860)	860	-
Total general revenues and transfers					<u>5,845,693</u>	<u>153,960</u>	<u>5,999,653</u>
Change in net assets					3,078,541	1,273,824	4,352,365
Net assets - beginning					21,359,524	34,188,381	55,547,905
Net assets - ending					<u>\$ 24,438,065</u>	<u>\$ 35,462,205</u>	<u>\$ 59,900,270</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General	Municipal Road	Airport	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,361,270	\$ 92,100	\$ 4,851	\$ 1,923,953	\$ 6,382,174
Cash with fiscal agent	-	-	-	1,224,817	1,224,817
Intergovernmental receivable	1,449,328	1,266,178	1,106,068	154,336	3,975,910
Other receivables	120,039	180	1,964	1,503	123,686
Prepaid items	825	-	1,316	-	2,141
Due from other funds	272,626	-	-	-	272,626
Total Assets	<u>\$ 6,204,088</u>	<u>\$ 1,358,458</u>	<u>\$ 1,114,199</u>	<u>\$ 3,304,609</u>	<u>\$ 11,981,354</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 145,238	\$ 513,223	\$ 1,100,837	\$ 98,502	\$ 1,857,800
Accrued payroll, taxes and benefits	157,442	-	500	-	157,942
Unearned revenue	2,480	-	1,340	-	3,820
Deferred revenue	565,388	-	-	-	565,388
Due to other funds	22,366	-	-	5,477	27,843
Total Liabilities	<u>892,914</u>	<u>513,223</u>	<u>1,102,677</u>	<u>103,979</u>	<u>2,612,793</u>
Fund Balances:					
Nonspendable:					
Inventories and prepaids	991,707	-	3,280	-	994,987
Restricted to:					
Public safety	-	-	-	745,051	745,051
Lodgers promotion	-	-	-	19,086	19,086
Capital projects	-	845,235	8,242	2,126,333	2,979,810
Debt service	-	-	-	151,005	151,005
Subsequent years expenditures	658,710	-	-	-	658,710
Committed to:					
Economic development	-	-	-	111,886	111,886
Culture and recreation	-	-	-	47,269	47,269
Unassigned	3,660,757	-	-	-	3,660,757
Total Fund Balances	<u>5,311,174</u>	<u>845,235</u>	<u>11,522</u>	<u>3,200,630</u>	<u>9,368,561</u>
Total Liabilities and Fund Balances	<u>\$ 6,204,088</u>	<u>\$ 1,358,458</u>	<u>\$ 1,114,199</u>	<u>\$ 3,304,609</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,085,883
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	565,388
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Contracts and loans payable	(4,281,857)
Accrued compensated absences	(268,130)
Accrued interest payable	(31,780)
Net assets of governmental activities	<u>\$ 24,438,065</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	General	Municipal Road	Airport	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes:					
Property	\$ 536,060	\$ -	\$ -	\$ -	\$ 536,060
Gross Receipts	3,546,047	177,396	-	531,713	4,255,156
Franchise	544,923	-	-	-	544,923
Other	-	176,903	-	10,498	187,401
Licenses and permits	55,336	-	-	8,000	63,336
Intergovernmental	673,138	1,182,283	1,710,660	282,471	3,848,552
Charges for services	275,237	-	-	81,502	356,739
Fines	362,911	-	-	-	362,911
Investment earnings	21,556	5,004	66	13,684	40,310
Miscellaneous	241,604	1,760	3,731	-	247,095
Total Revenues	<u>6,256,812</u>	<u>1,543,346</u>	<u>1,714,457</u>	<u>927,868</u>	<u>10,442,483</u>
<b>EXPENDITURES:</b>					
Current:					
General government	1,786,072	-	3,026	15,191	1,804,289
Public safety	1,529,904	-	-	198,803	1,728,707
Public works	617,074	353,317	-	-	970,391
Public health and welfare	553,191	-	-	-	553,191
Culture and recreation	1,073,966	-	-	13,067	1,087,033
Capital outlay	403,429	1,681,231	1,749,996	657,725	4,492,381
Debt service:					
Principal	-	-	-	144,353	144,353
Interest	-	-	-	195,574	195,574
Total Expenditures	<u>5,963,636</u>	<u>2,034,548</u>	<u>1,753,022</u>	<u>1,224,713</u>	<u>10,975,919</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>293,176</u>	<u>(491,202)</u>	<u>(38,565)</u>	<u>(296,845)</u>	<u>(533,436)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers, in	861	100,000	-	88,902	189,763
Operating transfers, out	(188,902)	-	-	(1,721)	(190,623)
Total other financing sources and uses	<u>(188,041)</u>	<u>100,000</u>	<u>-</u>	<u>87,181</u>	<u>(860)</u>
Net change in fund balances	105,135	(391,202)	(38,565)	(209,664)	(534,296)
Fund balances - beginning	5,206,039	1,236,437	50,087	3,410,294	9,902,857
Fund balances - ending	<u>\$ 5,311,174</u>	<u>\$ 845,235</u>	<u>\$ 11,522</u>	<u>\$ 3,200,630</u>	<u>\$ 9,368,561</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Reconciliation of the Statement of Revenues**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2011**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	<u>\$ (534,296)</u>
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The detail is as follows:

Capital outlay	4,345,733
Depreciation expense	<u>(920,792)</u>
Total	<u>3,424,941</u>

Deferred revenues are not available to pay current period expenditures and therefore are not recognized in the fund financial statement. The revenues are not deferred in the governmental activities of the Statement of Net Assets.

	<u>35,608</u>
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail is as follows:

Issuance of debt	-
Principal repayments	144,353
Accrued interest payable	1,171
Compensated absences	<u>6,764</u>
Total	<u>152,288</u>

Change in net assets of governmental activities	<u><u>\$ 3,078,541</u></u>
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The notes to the financial statements are an integral part of this statement.



**CITY OF AZTEC, NEW MEXICO**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 536,062	\$ 523,588	\$ 536,060	\$ 12,472
Gross receipts tax	2,886,989	2,886,989	3,546,047	659,058
Franchise taxes	550,213	550,213	544,923	(5,290)
Licenses and permits	49,900	49,900	55,336	5,436
Intergovernmental	581,511	562,198	673,138	110,940
Charges for services	316,500	301,500	275,237	(26,263)
Fines	414,000	414,000	362,911	(51,089)
Investment earnings	40,000	40,000	21,556	(18,444)
Miscellaneous	79,700	186,929	241,604	54,675
Total Revenues	5,454,875	5,515,317	6,256,812	741,495
<b>EXPENDITURES:</b>				
Current:				
General government:				
Legislative	134,502	134,002	85,516	48,486
Economic Development	108,890	60,736	13,786	46,950
Visitor center	107,570	119,549	85,008	34,541
Judicial	188,164	192,585	172,964	19,621
City Manager	328,027	340,605	301,359	39,246
Finance	588,774	408,548	322,438	86,110
Legal	45,815	45,815	40,955	4,860
Motor vehicle	212,720	214,520	206,205	8,315
Planning	124,671	169,454	120,695	48,759
Information systems	137,970	118,816	108,783	10,033
City buildings	320,945	321,823	297,361	24,462
Project management	-	34,933	31,002	3,931
Total general government	2,298,048	2,161,386	1,786,072	375,314
Public safety:				
Police	1,748,829	1,684,785	1,456,834	227,951
Fire	130,380	130,380	73,070	57,310
Total public safety	1,879,209	1,815,165	1,529,904	285,261
Public works:				
Streets	787,989	800,808	617,074	183,734
Public health and welfare:				
Animal control	517,811	562,135	546,160	15,975
Vector control	8,900	8,900	7,031	1,869
Total public health and welfare	526,711	571,035	553,191	17,844
Culture and recreation:				
Recreation	38,350	70,321	66,478	3,843
Parks	465,506	471,409	434,095	37,314
Library	341,789	381,044	340,491	40,553
Community center	183,759	191,320	166,886	24,434
Community support	108,290	110,171	66,016	44,155
Total culture and recreation	1,137,694	1,224,265	1,073,966	150,299
Capital outlay:				
General government	98,750	134,694	121,195	13,499
Public safety	90,000	90,204	90,203	1
Public works	165,000	186,000	54,058	131,942
Public health and welfare	19,021	19,021	19,021	-
Culture and recreation	19,500	128,012	118,952	9,060
Total capital outlay	392,271	557,931	403,429	154,502
Total expenditures	7,021,922	7,130,590	5,963,636	1,166,954
Excess of revenues over expenditures	(1,567,047)	(1,615,273)	293,176	1,908,449
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	861	861	-
Transfers out	(245,000)	(245,000)	(188,902)	56,098
Total Other Financing Sources and Uses	(245,000)	(244,139)	(188,041)	56,098
Net change in fund balances	(1,812,047)	(1,859,412)	105,135	1,964,547
Fund balances - beginning	5,206,039	5,206,039	5,206,039	-
Fund balances - ending	\$ 3,393,992	\$ 3,346,627	\$ 5,311,174	\$ 1,964,547

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Municipal Road Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ 145,799	\$ 145,799	\$ 177,396	\$ 31,597
Other taxes	144,000	144,000	176,903	32,903
Intergovernmental	2,666,405	2,666,405	1,182,283	(1,484,122)
Investment earnings	11,000	11,000	5,004	(5,996)
Miscellaneous	-	-	1,760	1,760
Total Revenues	2,967,204	2,967,204	1,543,346	(1,423,858)
<b>EXPENDITURES:</b>				
Current:				
Public works	854,255	854,255	353,317	500,938
Capital outlay	3,136,290	3,136,290	1,681,231	1,455,059
Total Expenditures	3,990,545	3,990,545	2,034,548	1,955,997
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,023,341)	(1,023,341)	(491,202)	532,139
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	100,000	100,000	100,000	-
Net change in fund balances	(923,341)	(923,341)	(391,202)	532,139
Fund balances - beginning	1,236,437	1,236,437	1,236,437	-
Fund balances - ending	\$ 313,096	\$ 313,096	\$ 845,235	\$ 532,139

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Airport Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	34,273	1,754,784	1,710,660	(44,124)
Investment earnings	200	200	66	(134)
Miscellaneous	2,800	2,800	3,731	931
Total Revenues	37,273	1,757,784	1,714,457	(43,327)
<b>EXPENDITURES:</b>				
Current:				
General government	3,200	3,200	3,026	174
Capital outlay	68,545	1,797,231	1,749,996	47,235
Total Expenditures	71,745	1,800,431	1,753,022	47,409
Net change in fund balances	(34,472)	(42,647)	(38,565)	4,082
Fund balances - beginning	50,087	50,087	50,087	-
Fund balances - ending	\$ 15,615	\$ 7,440	\$ 11,522	\$ 4,082

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	<b>Business-type Activities-Enterprise Funds</b>			
	<b>Joint Utility</b>	<b>Solid Waste</b>	<b>Irrigation Assessment</b>	<b>Totals</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 12,561,645	\$ 217,893	\$ 134,747	\$ 12,914,285
Cash with fiscal agent	55,887	-	-	55,887
Accounts receivable (net of allowance for doubtful accounts)	1,041,334	84,072	144	1,125,550
Interest receivable	27,427	-	-	27,427
Intergovernmental receivable	553,898	-	-	553,898
Inventories	991,404	-	-	991,404
Prepaid items	304	-	-	304
Due from other funds	5,217	-	-	5,217
<b>Total Current Assets</b>	<b>15,237,116</b>	<b>301,965</b>	<b>134,891</b>	<b>15,673,972</b>
Noncurrent assets:				
Capital assets:				
Land and land rights	694,402	-	-	694,402
Building and system	36,330,174	52,752	122,550	36,505,476
Machinery and equipment	3,081,063	-	-	3,081,063
Construction in progress	15,250	-	-	15,250
Less accumulated depreciation	(11,738,084)	(37,669)	(64,334)	(11,840,087)
<b>Total noncurrent assets</b>	<b>28,382,805</b>	<b>15,083</b>	<b>58,216</b>	<b>28,456,104</b>
<b>Total Assets</b>	<b>43,619,921</b>	<b>317,048</b>	<b>193,107</b>	<b>44,130,076</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	694,368	50,904	-	745,272
Accrued payroll, taxes and benefits	163,906	3,187	-	167,093
Accrued interest payable	32,295	-	-	32,295
Unearned revenue	81,904	-	-	81,904
Customer deposits	299,884	-	-	299,884
Compensated absences, current portion	116,764	140	-	116,904
Due to other funds	250,000	-	-	250,000
Bonds, notes and loans payable - current portion	395,200	-	-	395,200
<b>Total Current Liabilities</b>	<b>2,034,321</b>	<b>54,231</b>	<b>-</b>	<b>2,088,552</b>
Noncurrent liabilities:				
Compensated absences	-	-	-	-
Bonds, notes and loans payable, net	6,579,319	-	-	6,579,319
<b>Total noncurrent liabilities</b>	<b>6,579,319</b>	<b>-</b>	<b>-</b>	<b>6,579,319</b>
<b>Total liabilities</b>	<b>8,613,640</b>	<b>54,231</b>	<b>-</b>	<b>8,667,871</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	21,408,287	15,083	58,216	21,481,586
Restricted for debt service	443,456	-	-	443,456
Unrestricted	13,154,538	247,734	134,891	13,537,163
<b>Total net assets</b>	<b>\$ 35,006,281</b>	<b>\$ 262,817</b>	<b>\$ 193,107</b>	<b>\$ 35,462,205</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<b>Business-type Activities-Enterprise Funds</b>			
	<b><u>Joint Utility</u></b>	<b><u>Solid Waste</u></b>	<b><u>Irrigation Assessment</u></b>	<b><u>Totals</u></b>
Operating revenues:				
Charges for services	\$ 9,456,802	\$ 688,861	\$ 13,159	\$ 10,158,822
Miscellaneous	77,805	2,700	-	80,505
Total Operating Revenues	<u>9,534,607</u>	<u>691,561</u>	<u>13,159</u>	<u>10,239,327</u>
Operating expenses:				
Salaries and fringe benefits	1,442,093	21,897	-	1,463,990
Purchased power, fuel and chemicals	3,482,712	-	-	3,482,712
Other operating expenses	1,612,762	647,426	4,978	2,265,166
Payments in lieu of taxes	446,905	-	-	446,905
Depreciation and amortization	1,450,930	3,170	4,331	1,458,431
Total Operating Expenses	<u>8,435,402</u>	<u>672,493</u>	<u>9,309</u>	<u>9,117,204</u>
Operating income (loss)	<u>1,099,205</u>	<u>19,068</u>	<u>3,850</u>	<u>1,122,123</u>
Nonoperating revenues (expenses):				
Investment earnings	62,573	1,120	686	64,379
Gross receipts tax	88,721	-	-	88,721
Interest expense	(175,190)	-	-	(175,190)
Total Nonoperating Revenues (Expenses)	<u>(23,896)</u>	<u>1,120</u>	<u>686</u>	<u>(22,090)</u>
Income (Loss) Before Operating Transfers	<u>1,075,309</u>	<u>20,188</u>	<u>4,536</u>	<u>1,100,033</u>
Capital contributions	172,931	-	-	172,931
Operating transfers, in	1,219,168	-	-	1,219,168
Operating transfers, out	(1,218,308)	-	-	(1,218,308)
Change in net assets	<u>1,249,100</u>	<u>20,188</u>	<u>4,536</u>	<u>1,273,824</u>
Total net assets - beginning	<u>33,757,181</u>	<u>242,629</u>	<u>188,571</u>	<u>34,188,381</u>
Total net assets - ending	<u>\$ 35,006,281</u>	<u>\$ 262,817</u>	<u>\$ 193,107</u>	<u>\$ 35,462,205</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<b>Business-type Activities-Enterprise Funds</b>			
	<b>Joint Utility</b>	<b>Solid Waste</b>	<b>Irrigation Assessment</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers/users	\$ 9,555,700	\$ 684,078	\$ 13,589	\$10,253,367
Payments to suppliers	(5,672,286)	(649,303)	(4,978)	(6,326,567)
Payments to employees	(1,400,330)	(21,260)	-	(1,421,590)
Net cash provided by operating activities	<u>2,483,084</u>	<u>13,515</u>	<u>8,611</u>	<u>2,505,210</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer to other funds	1,219,168	-	-	1,219,168
Transfer from other funds	(1,218,308)	-	-	(1,218,308)
Advances from / to other funds	250,001	-	-	250,001
Net cash provided (used) by noncapital financing activities	<u>250,861</u>	<u>-</u>	<u>-</u>	<u>250,861</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributions	172,931	-	-	172,931
Gross receipts tax	88,721	-	-	88,721
Purchases of capital assets	(806,387)	-	-	(806,387)
Principal paid on capital debt	(383,666)	-	-	(383,666)
Interest paid on capital debt	(175,190)	-	-	(175,190)
Net cash provided (used) by capital and related financing activities	<u>(1,103,591)</u>	<u>-</u>	<u>-</u>	<u>(1,103,591)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income received	62,573	1,120	686	64,379
Net increase in cash and cash equivalents	1,692,927	14,635	9,297	1,716,859
Cash and cash equivalents, July 1, 2010	10,924,605	203,258	125,450	11,253,313
Cash and cash equivalents, June 30, 2011	<u>\$ 12,617,532</u>	<u>\$ 217,893</u>	<u>\$ 134,747</u>	<u>\$12,970,172</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	1,099,205	19,068	3,850	1,122,123
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,450,930	3,170	4,331	1,458,431
(Increase) decrease in:				
Accounts receivable	21,094	(7,483)	430	14,041
Interest receivable	9,543	-	-	9,543
Intergovernmental receivable	(5,669)	-	-	(5,669)
Inventories	(53,716)	-	-	(53,716)
Prepaid items	(166)	-	-	(166)
Increase (decrease) in:				
Accounts payable	24,070	(306)	-	23,764
Accrued payroll, taxes and benefits	(41,763)	(637)	-	(42,400)
Accrued interest payable	(7,868)	-	-	(7,868)
Unearned revenue	(36,176)	-	-	(36,176)
Customer deposits	17,577	-	-	17,577
Compensated absences	6,023	(297)	-	5,726
Total adjustments	<u>1,383,879</u>	<u>(5,553)</u>	<u>4,761</u>	<u>1,383,087</u>
Net cash provided by operating activities	<u>2,483,084</u>	<u>13,515</u>	<u>8,611</u>	<u>2,505,210</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Statement of Fiduciary Net Assets**  
**Agency Funds**  
**June 30, 2011**

	<u>Employee Association</u>
<b>ASSETS:</b>	
Cash and cash equivalents	<u>\$ 1,843</u>
Total assets	<u><u>\$ 1,843</u></u>
<b>LIABILITIES:</b>	
Deposits held for others	<u>\$ 1,843</u>
Total liabilities	<u><u>\$ 1,843</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Aztec, (City), New Mexico, which was incorporated in 1890, operates under a Commission / Manager form of government. Five commissioners are elected at large and one of the commissioners serves as Mayor. This reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City's financial statements to be misleading or incomplete.

The City had no blended or discrete component units during the current fiscal year.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect costs are not allocated to functions in the statement of activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements and the fiduciary fund – agency financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Derived tax revenues (gross receipts taxes, cigarette taxes and gas taxes) are recognized when the underlying transaction takes place. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *municipal road special revenue fund* accounts for the municipal share of gas tax proceeds restricted for street-related expenditures.

The *airport special revenue fund* accounts for the activities of the City's airport operations and to account for operating and capital grants.

The government reports the following major proprietary funds:

The *joint utility fund* accounts for the activities of the City's utility.

The *solid waste fund* accounts for the activities of the City's solid waste services.

The *irrigation assessment fund* accounts for the activities of the City's irrigation assessment activities.

Additionally, the City reports the following agency fund type:

The *employee association trust fund* is an agency fund that accounts for employee contributions to a fund used for special occasions such as sending flowers, etc.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's utility and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The utilities also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is City policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Assets, liabilities and net assets or equity**

##### ***1. Deposits and investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, repurchase agreements, Certificates of Deposits, and the State Treasurer's Investment Pool.

Investments for the City are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations and is not SEC registered. The reported value of the pool is the same as the fair value of the pool shares. Generally, investment income earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on the average daily balance of cash and investments of each fund. All investment in such pool is voluntary.

##### ***2. Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The joint utility enterprise fund is responsible for billing and collecting electric, water, and wastewater charges using a cycle billing system. No billing cycles are billed in advance of services. Metered accounts are billed in arrears and have been accrued. The only unearned revenue is customer payments for prepaid electric distribution construction. Customers are required to pay 100% of the estimate prepared by the electric director. When the job is complete the actual costs of the job are prepared and the customer is either refunded the overpayment or billed for the shortage. These payments for construction are then reported as increases in net assets at the end of the fiscal year. All trade receivables are shown net of an allowance for uncollectible accounts. The City is required to provide service and grant credit to a diverse customer base within its service territory. The City may require security deposits prior to providing service to customers depending upon an assessment of credit worthiness. The City reviews customer accounts receivable on a regular basis and has an accounts receivable collection policy.

The City has reviewed its customer base for concentrations of credit risk and has determined that no individual customer or group of customers engaged in similar activities represent a material concentration of credit risk to the City.

Property taxes are levied and collected by San Juan County. The County remits to the City amounts collected for the applicable portion of the property taxes in the month following the date of receipt. The City recognizes property taxes as revenue on the modified accrual basis. Oil and gas taxes received from the County are recognized as revenue when received by the City.

Property taxes are levied as of January 1st on property values assessed on the same date. The tax levy is payable in two installments, November 10th and May 10th. The property taxes are considered delinquent and subject to lien, penalty, and interest, 30 days after the date on which they are due.

### ***3. Inventories and prepaid items***

Inventories are only held by the joint utility fund and are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are considered immaterial and recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### ***4. Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Such assets, including infrastructure, have higher limits that must be met before they are capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Computer software costs, whether externally purchased or developed in-house, shall be capitalized if the total cost of the software equals or exceeds \$5,000 and has a life of at least two years. Library books are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

	<b><u>Threshold</u></b>	<b><u>Estimated Useful Life</u></b>
Buildings and structures	\$10,000	10 - 45 years
Improvements other than buildings	\$10,000	10 - 50 years
Infrastructure	\$50,000	5 - 50 years
Machinery and equipment	\$ 5,000	5 - 30 years
Furniture and fixtures	\$ 5,000	5 - 30 years

### **5. *Compensated absences***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. A compensated absence is expensed in the related fund of the employee that earned the compensated absences.

### **6. *Long-term obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Bond premium and discounts are reported as other financing uses. Issuance costs, even if withheld from actual net proceeds received, are reported as debt service expenditures.

### **7. *Fund balance***

In the fund financial statements, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Commission. City Commission is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Commission.

Assigned – amounts that are constrained by the City’s intent to use them for a specific purpose, but are neither restricted or committed. The City has not established a policy regarding the assignment of funds, so this category of fund balance represents the residual amounts not otherwise reported as unspendable, restricted, or committed in governmental funds outside of the general fund.

Unassigned – all other spendable amounts.

As of June 30, 2011, fund balances are composed of the following:

	<u>General</u>	<u>Municipal Road</u>	<u>Airport</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable:					
Inventories/prepays	\$ 991,707	\$ -	\$ 3,280	\$ -	\$ 994,987
Restricted to:					
Public safety	-	-	-	745,051	745,051
Lodgers promotion	-	-	-	19,086	19,086
Capital projects	-	845,235	8,242	2,126,333	2,979,810
Debt service	-	-	-	151,005	151,005
Committed:					
Economic development	-	-	-	111,886	111,886
Culture and recreation	-	-	-	47,269	47,269
Subsequent years expendi	658,710	-	-	-	658,710
Unassigned	3,660,757	-	-	-	3,660,757
Total	<u>\$ 5,311,174</u>	<u>\$ 845,235</u>	<u>\$ 11,522</u>	<u>\$ 3,200,630</u>	<u>\$ 9,368,561</u>

**8. Net Assets**

In the government-wide financial statements, restricted net assets are legally restricted by outside parties (such as creditors, grantors, contributors, laws and regulations of other governments) for a specific purpose. Invested in capital assets, net of related debt, represents the City’s investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**9. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary information**

Annual budgets are adopted for all funds. All budgets are consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at fiscal year end. Carryover funds must be appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended by City Commission resolution with approval by the State Department of Finance and Administration. City department heads may make transfers of appropriations within a fund. The legal level of budgetary control is the fund level. Increases or decreases of appropriations between funds require the approval of the governing Commission.

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Manager submits to the City Commission a proposed preliminary operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. The budget is prepared by fund, department, and function.
2. In late July, after there has been an opportunity for public comment, the City Commission adopts the budget as finalized.
3. Prior to September 1, the budget is legally enacted through passage of a resolution and the Local Government Division of the State Department of Finance and Administration approves the final budget.
4. After the budget is adopted any supplemental appropriations must be approved by the City Commission.

The budgetary basis and GAAP basis are the same for all governmental fund types. Budgets for proprietary enterprise funds are adopted on a non-GAAP basis, using the spending measurement focus as in governmental fund types.

Encumbrance accounting is employed by the City. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are carried forward to the new fiscal year and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. The fund balances are reserved for outstanding encumbrances because the resources are not available for new spending. The City had the following encumbrances outstanding at June 30, 2011:

General fund	\$	110,312
Municipal Road Fund		594,382
Lodgers Tax Fund		500
Airport Fund		52,934
Capital Projects Fund		286,304
Joint Utility Fund		122,952
		<hr/>
Total	\$	<u>1,167,384</u>

**B. Excess of Expenditures over Appropriations**

As of June 30, 2011, there were no funds reported with excess expenditures over appropriations.

**C. Deficit Fund Equity**

As of June 30, 2011, there were no funds reported with a deficit fund balance.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

As of June 30, 2011, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ 6,250,000	1.00
State Treasurer's LGIP	9,774,302	0.10
Total Fair Value	<u>\$ 16,024,302</u>	
Portfolio weighted average maturity		<u>0.45</u>

The City has investments in the State Treasurer external investment pool (the Local Government Investment Pool). The investments are valued at fair value based on quoted market prices as of June 30, 2011. The State Treasurer Local Government Investment Pool (LGIP) is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the local government investment pool is voluntary. The LGIP has been rated by Standard & Poor's and has received an AAAM rating.

In September 2008, the State Treasurer Local LGIP portfolio, like many investment funds throughout the country, experienced significant market volatility. One of the LGIP investments, the Reserve Primary money market fund was downgraded from "AAA" to "D" on September 16, 2008. The LGIP shares in the Reserve Primary Fund were initially frozen until the fund's liquidation process could begin. In order to maintain the LGIP's "AAA" rating, the LGIP temporarily sold this security to the State's General Fund investment pool at par under a put agreement. During the year ended June 30, 2011, the City recorded a loss of \$25,698 and the LGIP Reserve Primary Fund holdings were reduced to zero.

The State Treasurer is participating in a lawsuit against the Reserve on behalf of the State Treasurer's portfolios and LGIP participants. Additionally, the Securities and Exchange Commission (SEC) filed a civil lawsuit in federal court against the operators of the Reserve seeking to expedite the distribution of the Reserve's remaining assets to investors. For more information on the Reserve Contingency fund see the State Treasurer's website at <http://www.stonm.org/files/uploads/1835.pdf>.

**Interest rate risk.** The risk that interest rate variations may adversely affect the fair value of an investment. An acceptable method for reporting interest rate risk is weighted average maturity (WAM). The State Treasurer's Office uses this method for reporting purposes for the Local Government Investment Pool. The weighted average maturity at June 30, 2011 was 36 days.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits no more than 40% of City funds invested for a period greater than two years and no funds shall be invested for a period greater than three years. The City's policy is to invest in securities with an average maturity of less than 182 days (0.5 yearly average term).

**Credit risk.** As directed by State Statute 6-10-36, E. and F., excess funds may be invested in securities backed by the full faith and credit of the United States Government, such as treasury notes, bills and bonds; in securities of Agencies that are guaranteed by the United States Government; bonds or negotiable securities of the State of New Mexico or of any county, municipality or school district in the State of New Mexico which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding. The LGIP is exempt from this reporting requirement.

**Custodial credit risk – deposits.** This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statute requires that the bank deposits be 50% collateralized and repurchase agreements be 102% collateralized. As of June 30, 2011, the City was not in compliance with state statute. The City's carrying amount of deposits as of June 30, 2011 was \$9,521,430 and the bank balance was \$9,744,740. Of the bank balance, \$1,516,094 was covered by federal depository insurance, \$4,756,467 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and \$3,472,179 was uncollateralized, and subject to custodial credit risk.

**Custodial credit risk – investments.** In the case of investments, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The LGIP is exempt from this reporting requirement.

**Collateral.** Only securities backed by the full faith and credit of the United States Government will be accepted as collateral. The City may make an exception and accept as collateral securities from a governmental entity within the State of New Mexico as described by State Statute 6-10-16, B. All securities pledged as collateral shall be held by a third-party financial institution approved by the City Manager or his/her designee. Any change in the institution holding the collateral must have prior approval of the City Manager or his/her designee.

**B. Receivables**

Receivables as of June 30, 2011 are as follows:

	<u>General</u>	<u>Municipal Road</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Receivable, net					
Intergovernmental	\$ 1,449,328	\$ 1,266,178	\$ 154,336	\$ 1,106,068	\$ 3,975,910
Other receivables	120,039	180	-	3,467	123,686
Total	<u>\$ 1,569,367</u>	<u>\$ 1,266,358</u>	<u>\$ 154,336</u>	<u>\$ 1,109,535</u>	<u>\$ 4,099,596</u>
		<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Irrigation Assessment</u>	<u>Total Enterprise Funds</u>
Receivable, net					
Accounts receivable		\$ 981,152	\$ 84,072	\$ 6,779	\$ 1,072,003
Unbilled receivable		390,716	-	-	390,716
Less allowance for doubtful accounts		<u>(330,534)</u>	<u>-</u>	<u>(6,635)</u>	<u>(337,169)</u>
Accounts receivable, net		1,041,334	84,072	144	1,125,550
Interest receivable		27,427	-	-	27,427
Intergovernmental		553,898	-	-	553,898
Total		<u>\$ 1,622,659</u>	<u>\$ 84,072</u>	<u>\$ 144</u>	<u>\$ 1,706,875</u>



Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes	\$ 565,388	\$ -
Grant proceeds not yet earned	-	2,480
Total deferred revenue for governmental funds	<u>\$ 565,388</u>	<u>\$ 2,480</u>

### **C. Capital assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

<u>Governmental activities</u>	Balance July 1, 2010	Transfers	Additions	Deletions	Balance June 30, 2011
Non-Depreciable Assets:					
Land	\$ 638,435	\$ -	\$ -	\$ -	\$ 638,435
Construction in progress	822,511	(231,318)	2,143,122	-	2,734,315
Total non-depreciable assets	<u>1,460,946</u>	<u>(231,318)</u>	<u>2,143,122</u>	<u>-</u>	<u>3,372,750</u>
Depreciable Assets					
Buildings	7,271,668	-	190,365	-	7,462,033
Improvements other than buildings	1,862,080	142,745	7,025	-	2,011,850
Machinery and equipment	4,670,846	-	160,550	(143,504)	4,687,892
Infrastructure	11,232,358	72,881	1,860,363	(117,735)	13,047,867
Total depreciable assets	<u>25,036,952</u>	<u>215,626</u>	<u>2,218,303</u>	<u>(261,239)</u>	<u>27,209,642</u>
Accumulated Depreciation					
Buildings	(1,891,779)	-	(185,604)	-	(2,077,383)
Improvements other than buildings	(472,526)	-	(106,679)	-	(579,205)
Equipment	(3,364,119)	-	(246,895)	143,504	(3,467,510)
Infrastructure	(5,108,532)	-	(381,614)	117,735	(5,372,411)
Total accumulated depreciation	<u>(10,836,956)</u>	<u>-</u>	<u>(920,792)</u>	<u>261,239</u>	<u>(11,496,509)</u>
Total capital assets being depreciated, net	<u>14,199,996</u>	<u>215,626</u>	<u>1,297,511</u>	<u>-</u>	<u>15,713,133</u>
Governmental activities capital assets, net	<u>\$ 15,660,942</u>	<u>\$ (15,692)</u>	<u>\$ 3,440,633</u>	<u>\$ -</u>	<u>\$ 19,085,883</u>

<b><u>Business-type activities</u></b>	Balance July 1, 2010	Transfers	Additions	Deletions	Balance June 30, 2011
Non-Depreciable Assets:					
Land	\$ 694,402	\$ -	\$ -	\$ -	\$ 694,402
Construction in progress	47,008	(47,008)	15,250	-	15,250
Total non-depreciable assets	<u>741,410</u>	<u>(47,008)</u>	<u>15,250</u>	<u>-</u>	<u>709,652</u>
Depreciable Assets					
Building and systems	35,926,841	47,008	531,627	-	36,505,476
Equipment	2,877,315	-	262,266	(58,518)	3,081,063
Total depreciable assets	<u>38,804,156</u>	<u>47,008</u>	<u>793,893</u>	<u>(58,518)</u>	<u>39,586,539</u>
Accumulated Depreciation					
Buildings and systems	(8,407,868)	-	(1,262,076)	-	(9,669,944)
Equipment	(2,029,550)	-	(196,355)	55,762	(2,170,143)
Total accumulated depreciation	<u>(10,437,418)</u>	<u>-</u>	<u>(1,458,431)</u>	<u>55,762</u>	<u>(11,840,087)</u>
Total capital assets being depreciated, net	<u>28,366,738</u>	<u>47,008</u>	<u>(664,538)</u>	<u>(2,756)</u>	<u>27,746,452</u>
Business-type activities capital assets, net	<u>\$ 29,108,148</u>	<u>\$ -</u>	<u>\$ (649,288)</u>	<u>\$ (2,756)</u>	<u>\$ 28,456,104</u>

Depreciation expense was charged to functions / programs of the government as follows:

**Governmental activities:**

General government	\$ 60,772
Public safety	162,980
Public works	399,624
Public health and welfare	67,218
Culture and recreation	230,198
Total depreciation expense - governmental activities	<u>\$ 920,792</u>

**Business-type activities:**

Joint utility	\$ 1,450,930
Solid waste	3,170
Irrigation assessment	4,331
Total depreciation expense - business-type activities	<u>\$ 1,458,431</u>

**Construction commitments**

The City has active construction projects as of June 30, 2011. At June 30, 2011, the City's commitments with contractors were as follows:

	<b><u>Expended to-date</u></b>	<b><u>Commitment</u></b>
East Aztec Arterial - Phase 1a	\$ 1,425,815	\$ 364,420
Minimum Park Splash and Play	215,500	93,357
Total	<u>\$ 1,641,315</u>	<u>\$ 457,777</u>

## **D. Interfund receivables, payables and transfers**

Interfund transfers and advances consisted of the following as of June 30, 2011:

<b>TRANSFERS</b>		
	<b>In</b>	<b>Out</b>
<b>Governmental Funds</b>		
General fund - operating transfers	\$ 861	\$ 188,902
Municipal Road - operating transfers	100,000	-
Local Government Correction - operating	88,902	-
Capital Equipment Replacement - operating	-	1,721
Total governmental funds transfers	<u>\$ 189,763</u>	<u>\$ 190,623</u>
<b>Net governmental funds transfers</b>		<u>\$ 860</u>
<b>Business-type funds</b>		
Joint Utility Fund - operating transfer	<u>\$ 1,219,168</u>	<u>\$ 1,218,308</u>
<b>Net business-type transfers</b>	<u>\$ 860</u>	
<b>INTERFUND RECEIVABLE/PAYABLE</b>		
	<b>Receivable</b>	<b>Payable</b>
<b>Governmental Funds</b>		
General fund - advance	\$ 272,626	\$ 22,366
Local Government Correction - advance	-	260
Community Development Block Grant - advance	-	5,217
Total governmental funds advances	<u>\$ 272,626</u>	<u>\$ 27,843</u>
<b>Net governmental interfund</b>	<u>\$ 244,783</u>	
<b>Business-type funds</b>		
Joint Utility Fund - advance	<u>\$ 5,217</u>	<u>\$ 250,000</u>
<b>Net enterprise interfund</b>		<u>\$ 244,783</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

## **E. Long-term debt**

### **General Obligation Bonds**

The City has the capacity to issue general obligation bonds to provide funds for the acquisition and/or construction of major capital projects, but as of June 30, 2011 no general obligation bonds had been issued.

### **Revenue Bonds**

The City has the capacity to issue bonds where the City pledges gross receipts tax revenue and revenues derived from the acquired or constructed assets to pay debt service, but as of June 30, 2011 no revenue bonds had been issued.

### **Contracts and Loans Payable**

The City entered into a long-term loan agreement with the State of New Mexico (RIP 91-11) for construction projects totalling \$149,555, payable in annual instalments of \$14,063, including interest at 3%, through 2015. The Joint Utility Enterprise Fund reports the outstanding principal due as of June 30, 2011 of \$53,254, with a current portion of \$12,494.

The City entered into a long-term loan agreement with the State of New Mexico Finance Authority for construction and acquisition of improvements to the City's water and wastewater treatment facilities totalling \$1,919,192. The loan is payable in semi-annual instalments. Annual repayments range between \$155,000 and \$160,000 per year, including interest at 5.32%, through May 2017. The Joint Utilities Enterprise Fund reports the outstanding principal due as of June 30, 2011 of \$780,026, with a current portion of \$113,839.

The City has entered into a long-term loan agreement with the New Mexico Environmental Department (RIP 2002-07) in the original amount of \$500,000 dated June 2002. The loan is payable in annual payments of \$33,608, including interest at 3%, through May 2024. The Joint Utilities Enterprise Fund reports the outstanding principal as of June 30, 2011 of \$357,238, with a current portion of \$22,885.

The City has entered into a long-term loan agreement with the New Mexico Environmental Department (RIP 2003-02) in the original amount of \$500,000 dated March 2003. The loan is payable in annual payments of \$33,608, including interest at 3%, through May 2024. The Joint Utilities Enterprise Fund reports the outstanding principal as of June 30, 2011 of \$357,238, with a current portion of \$22,885.

The City has entered into a long-term loan agreement with the State of New Mexico Finance Authority to construct, purchase, furnish and equip a public library totalling \$1,679,942 dated September 2004. The loan is payable in semi-annual payments averaging \$146,461 per year, including interest at 3.966%, through May 2020. The General Governmental Fund on the government-wide statement of net assets reports the outstanding principal due as of June 30, 2011 of \$1,077,989, with a current portion of \$102,043.

The City has entered into a long-term loan agreement with the State of New Mexico Finance Authority for capital improvements (including a raw water reservoir) totalling \$3,367,380 dated October 24, 2008. The loan is payable in variable annual principal payments, and semi-annual interest payments with interest rate ranging from 2.03% to 4.89%, through May 2031. The General Governmental Fund on the government-wide statement of net assets reports the outstanding principal due as of June 30, 2011 of \$3,203,868, with a current portion of \$47,357.

The City has entered into a long-term loan agreement with the New Mexico Environmental Department (CWRP 2009) in the original amount of \$5,000,000 dated December 5, 2008. The loan is payable in annual payments of \$305,784, including interest at 2%, through December 2028. The Joint Utilities Enterprise Fund reports the outstanding principal as of June 30, 2011 of \$4,584,317, with a current portion of \$214,097.

The City has entered into a long-term loan agreement with the USDA Rural Utilities Service in the original amount of \$860,447 dated November 25, 2008 (funded during the fiscal year ended June 30, 2010). The loan is payable in annual payments of approximately \$45,000, including interest at 4.2%, through June 2049, and is secured by GRT Environmental Tax proceeds. The Joint Utilities Enterprise Fund reports the outstanding principal as of June 30, 2011 of \$842,447, with a current portion of \$9,000.

Long-term debt service requirements to maturity are as follows:

**Governmental activities**

Fiscal year ended:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2012	\$ 149,400	\$ 190,680	\$ 340,080
June 30, 2013	153,943	185,372	339,315
June 30, 2014	158,826	179,684	338,510
June 30, 2015	165,939	173,644	339,583
June 30, 2016	173,520	167,142	340,662
June 30, 2017-2021	943,222	722,879	1,666,101
June 30, 2022-2026	1,091,902	505,514	1,597,416
June 30, 2027-2031	<u>1,445,105</u>	<u>217,520</u>	<u>1,662,625</u>
Debt service requirements	4,281,857	<u>\$ 2,342,435</u>	<u>\$ 6,624,292</u>
Less current portion	<u>(149,400)</u>		
Long-term debt, net of current portion	<u>\$ 4,132,457</u>		

**Business-type activities**

Fiscal year ended:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2012	\$ 395,201	\$ 194,196	\$ 589,397
June 30, 2013	408,222	181,153	589,375
June 30, 2014	420,702	167,976	588,678
June 30, 2015	435,702	154,246	589,948
June 30, 2016	434,184	139,950	574,134
June 30, 2017-2021	1,721,283	524,634	2,245,917
June 30, 2022-2026	1,624,935	331,030	1,955,965
June 30, 2027-2031	976,844	166,502	1,143,346
June 30, 2032-2036	115,000	109,108	224,108
June 30, 2037-2041	143,000	82,418	225,418
June 30, 2042-2046	176,000	49,310	225,310
June 30, 2047-2049	123,446	10,555	134,001
Debt service requirements	<u>6,974,519</u>	<u>\$ 2,111,078</u>	<u>\$ 9,085,597</u>
Less current portion	(395,200)		
Long-term debt, net of current portion	<u>\$ 6,579,319</u>		

**Changes in Long-term Liabilities**

During the year ended June 30, 2011, the following changes occurred in long-term liabilities:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
<u>Governmental activities</u>	<u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>One Year</u>
Contracts and loans payable:					
NM Finance Authority	\$ 1,176,572	\$ -	\$ (98,583)	\$ 1,077,989	\$ 102,043
NM Finance Authority - Capital Projects	3,249,638	-	(45,770)	3,203,868	47,357
Total contracts and loans payable	<u>4,426,210</u>	<u>-</u>	<u>(144,353)</u>	<u>4,281,857</u>	<u>149,400</u>
Compensated absences	274,894	292,800	(299,564)	268,130	268,130
Total Governmental Activities	<u>\$ 4,701,104</u>	<u>\$ 292,800</u>	<u>\$ (443,917)</u>	<u>\$ 4,549,987</u>	<u>\$ 417,530</u>

**Business-type Activities**

Contracts and loans payable:					
State Rural Infrastructure	\$ 65,384	\$ -	\$ (12,131)	\$ 53,253	\$ 12,494
State Rural Infrastructure	379,456	-	(22,218)	357,238	22,885
State Rural Infrastructure	379,456	-	(22,218)	357,238	22,885
NM Finance Authority	888,225	-	(108,199)	780,026	113,839
NM Environmental Department	4,794,217	-	(209,900)	4,584,317	214,097
USDA RUS Loan	851,447	-	(9,000)	842,447	9,000
Total contracts and loans payable	<u>7,358,185</u>	<u>-</u>	<u>(383,666)</u>	<u>6,974,519</u>	<u>395,200</u>
Compensated absences	110,741	136,763	(130,600)	116,904	116,904
Total Business-type Activities	<u>\$ 7,468,926</u>	<u>\$ 136,763</u>	<u>\$ (514,266)</u>	<u>\$ 7,091,423</u>	<u>\$ 512,104</u>

**F. Restricted fund balances**

Fund balances were restricted for the following purposes:

**Subsequent years expenditures:** The New Mexico Department of Finance and Administration (DFA) requires that 1/12<sup>th</sup> of the general fund budgeted expenditures (\$658,710) be restricted as subsequent year expenditures to maintain an adequate cash flow until the next significant property tax collection.

## V. OTHER INFORMATION

### A. Risk management

The City is also exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. In addition, the City is party to numerous pending or threatened lawsuits, under which it may be required to pay certain amounts upon final disposition of these matters. The City has historically retained these risks, except where it has determined that commercial insurance is more cost beneficial or legally required. The City has covered all claim settlements and judgments out of its General Fund resources, except where specifically identifiable to an enterprise fund. The City currently reports substantially all of its risk management activities, except worker's compensation, in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Current liabilities are reported when the liability has matured. These losses include an estimate of claims that have been incurred but not reported.

### B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

### C. Jointly governed organizations

***Joint Powers Agreement for Consolidated Communications Authority.*** The City is a participant with San Juan County, the City of Farmington and the City of Bloomfield in a joint powers agreement to build, maintain, and operate a centralized communications system for dispatch and emergency response. The City was obligated to contribute \$7,500 per year until the Capital Equipment Fund reached a balance of \$250,000. Thereafter, the City is obligated to contribute 6% of an amount necessary to maintain that balance. During the year ended June 30, 2011, the City contributed \$0 to the Authority. Complete financial statements for the Consolidated Communications Authority can be obtained from San Juan County, New Mexico.

***Joint Powers Agreement for the San Juan Water Commission.*** The City is a participant with the cities of Farmington and Bloomfield, the County of San Juan, and the San Juan Rural Waters Users Association in a joint powers agreement to create a countywide entity responsible for water planning and use. Much of the impetus to form the Commission came from the Animas La Plata water project and the subsequent need to develop methods to equitably share the related costs and benefits. In addition to this specific project the Commission is also authorized to acquire additional water rights and provide for the equitable distribution of such water. The Commission is financed by a San Juan County mill levy on real and personal property of approximately 3 mills. During the year ended June 30, 2011 the City did not make any financial contribution to the Commission. Complete financial statements may be obtained by contacting the San Juan Water Commission.

### D. Employee Retirement Systems and Plans

#### ***Pension Plan – Public Employees Retirement Association***

**Plan Description.** Substantially all of the City's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

**Funding Policy.** Plan members are required to contribute from 9.15% to 16.30%, depending upon the plan (i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City is required to contribute from 9.15% to 18.5% (depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2011, 2010, and 2009 were \$388,773, \$409,714, and \$425,728, respectively, which equal the amount of the required contributions for each fiscal year.

#### **E. Post-Employment Benefits – State Retiree Health Care Plan**

**Plan Description.** The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**Funding Policy.** The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and

the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. For employees who are not members of an enhanced retirement plan the contribution rates will be:

<b>Fiscal Year</b>	<b>Employer Contribution Rate</b>	<b>Employee Contribution Rate</b>
FY2011	1.666%	.833%
FY2012	1.834%	.917%
FY2013	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) the contribution rates will be:

<b>Fiscal Year</b>	<b>Employer Contribution Rate</b>	<b>Employee Contribution Rate</b>
FY2011	2.084%	1.042%
FY2012	2.292%	1.146%
FY2013	2.500%	1.250%

Also, employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The City's contributions to the RCHA for the years ended June 30, 2011, 2010 and 2009 were \$63,916, \$46,556, and \$49,245, respectively, which equal the required employer contributions for each year.



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## **Combining and Individual Fund Statements and Schedules**

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## **NONMAJOR GOVERNMENTAL FUNDS**

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### **Special Revenue Funds**

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Law Enforcement Protection Fund - This fund was established by City management to account for law enforcement protection monies received from the State to be disbursed for law enforcement related expenditures pursuant to NMSA 29-13-7.

Local Government Correction Fund - City management established this fund to account for correction fees assessed to City trustees sentenced to serve time in the County detention center and subsequently paid to the County, pursuant to NMSA 33-3-25.

Economic Development Fund – This fund was established pursuant to NMSA 1978 Sec 5-10-1, as adopted by City Ordinance 99-235, to allow public support of economic development to foster, promote, and enhance local economic development efforts while continuing to protect against the unauthorized use of public money and other public resources. The statute also allows the City to enter into joint power agreements to plan and support regional economic development projects.

Development Fees Fund – This fund was established by the City management to account for impact fees collected as provided by NMSA 5-8-1 through 5-8-42 and City Ordinance 2004-310. Impact fees may be used for a variety of expenditures except maintenance or operation costs.

Lodgers Tax Fund – This fund was established pursuant to NMSA 3-38-15 to account for the City's occupancy tax imposed on lodging establishments and restricted to tourism and promotion uses.

State Fire Fund - City management established this fund to account for state grants restricted for the purchase of fire fighting equipment and other approved fire department needs pursuant to NMSA 59A-53-8.

Recreation Fund – NMSA 7-12-15.B authorizes the establishment of the fund to account for the City's share of a state cigarette tax legally restricted for the operation of recreation facilities.

Emergency Medical Services Fund - City management established this fund to account for State grants restricted to expenditures for the purchase of emergency medical equipment as provided by NMSA 24-10A-7.

### **Capital Projects Funds**

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Capital Projects Fund - This fund was created by City management to account for the acquisition and construction of major capital facilities other than those projects financed by proprietary funds.

Capital Equipment Replacement Fund - City management established this fund to accumulate funding of future capital equipment purchases.

Community Development Block Grant Fund – City management established this fund to account for federal grant monies received for water, sewer, and street capital expenditures.

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**CITY OF AZTEC, NEW MEXICO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2011**

**Special Revenue Funds**

	<b>Law Enforcement Protection</b>	<b>Local Government Correction</b>	<b>Economic Development</b>	<b>Development Fees</b>	<b>Lodgers Tax</b>	<b>State Fire</b>	<b>Recreation</b>
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 662	\$ 10,100	\$ 111,886	\$ 43,958	\$ 18,903	\$ 743,969	\$ 3,311
Cash with fiscal agent	-	-	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-	-	-
Other receivables	-	320	-	-	1,183	-	-
<b>Total Assets</b>	<b>\$ 662</b>	<b>\$ 10,420</b>	<b>\$ 111,886</b>	<b>\$ 43,958</b>	<b>\$ 20,086</b>	<b>\$ 743,969</b>	<b>\$ 3,311</b>
<b>LIABILITIES:</b>							
Accounts payable	\$ 543	\$ 9,641	\$ -	\$ -	\$ 1,000	\$ -	\$ -
Due to other funds	-	260	-	-	-	-	-
<b>Total Liabilities</b>	<b>543</b>	<b>9,901</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>							
Restricted to:							
Public safety	119	519	-	-	-	743,969	-
Lodgers promotion	-	-	-	-	19,086	-	-
Capital projects	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Committed to:							
Economic development	-	-	111,886	-	-	-	-
Culture and recreation	-	-	-	43,958	-	-	3,311
<b>Total Fund Balances</b>	<b>119</b>	<b>519</b>	<b>111,886</b>	<b>43,958</b>	<b>19,086</b>	<b>743,969</b>	<b>3,311</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 662</b>	<b>\$ 10,420</b>	<b>\$ 111,886</b>	<b>\$ 43,958</b>	<b>\$ 20,086</b>	<b>\$ 743,969</b>	<b>\$ 3,311</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2011**

			<b>Capital Projects Funds</b>				<b>Total Nonmajor Governmental Funds</b>
	<b>Emergency Medical Services</b>	<b>Total Special Revenue</b>	<b>Capital Projects</b>	<b>Capital Equipment Replacement</b>	<b>Community Development Block Grant</b>	<b>Total Capital Projects</b>	
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 444	\$ 933,233	\$ 981,158	\$ -	\$ 9,562	\$ 990,720	\$ 1,923,953
Cash with fiscal agent	-	-	1,224,817	-	-	1,224,817	1,224,817
Intergovernmental receivable	-	-	154,336	-	-	154,336	154,336
Other receivables	-	1,503	-	-	-	-	1,503
Total Assets	<u>\$ 444</u>	<u>\$ 934,736</u>	<u>\$ 2,360,311</u>	<u>\$ -</u>	<u>\$ 9,562</u>	<u>\$ 2,369,873</u>	<u>\$ 3,304,609</u>
<b>LIABILITIES:</b>							
Accounts payable	\$ -	\$ 11,184	\$ 87,318	\$ -	\$ -	\$ 87,318	\$ 98,502
Due to other funds	-	260	-	-	5,217	5,217	5,477
Total Liabilities	<u>-</u>	<u>11,444</u>	<u>87,318</u>	<u>-</u>	<u>5,217</u>	<u>92,535</u>	<u>103,979</u>
<b>FUND BALANCES:</b>							
Restricted to:							
Public safety	444	745,051	-	-	-	-	745,051
Lodgers promotion		19,086	-	-	-	-	19,086
Capital projects		-	2,121,988	-	4,345	2,126,333	2,126,333
Debt service		-	151,005	-	-	151,005	151,005
Committed to:							
Economic development		111,886	-	-	-	-	111,886
Culture and recreation	-	47,269	-	-	-	-	47,269
Total Fund Balances	<u>444</u>	<u>923,292</u>	<u>2,272,993</u>	<u>-</u>	<u>4,345</u>	<u>2,277,338</u>	<u>3,200,630</u>
Total Liabilities and Fund Balances	<u>\$ 444</u>	<u>\$ 934,736</u>	<u>\$ 2,360,311</u>	<u>\$ -</u>	<u>\$ 9,562</u>	<u>\$ 2,369,873</u>	<u>\$ 3,304,609</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2011**

	<b>Special Revenue Funds</b>						
	<b>Law Enforcement Protection</b>	<b>Local Government Correction</b>	<b>Economic Development Development</b>	<b>Development Fees</b>	<b>Lodgers Tax</b>	<b>State Fire</b>	<b>Recreation</b>
<b>REVENUES:</b>							
Taxes:							
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	10,498	-	-
Licenses and permits	-	-	-	8,000	-	-	-
Intergovernmental	27,800	-	-	-	1,000	198,671	-
Charges for services	-	81,502	-	-	-	-	-
Investment earnings	92	-	592	217	98	3,954	-
Miscellaneous	-	-	-	-	-	-	-
Total Revenues	<u>27,892</u>	<u>81,502</u>	<u>592</u>	<u>8,217</u>	<u>11,596</u>	<u>202,625</u>	<u>-</u>
<b>EXPENDITURES:</b>							
Current:							
General government	-	-	-	-	-	-	-
Public safety	24,815	170,404	-	-	-	3,584	-
Public works	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	13,067	-	-
Capital outlay	3,584	-	-	-	-	-	38,228
Debt service:							
Principal payments	-	-	-	-	-	-	-
Interest payments	-	-	-	-	-	-	-
Total Expenditures	<u>28,399</u>	<u>170,404</u>	<u>-</u>	<u>-</u>	<u>13,067</u>	<u>3,584</u>	<u>38,228</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(507)</u>	<u>(88,902)</u>	<u>592</u>	<u>8,217</u>	<u>(1,471)</u>	<u>199,041</u>	<u>(38,228)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	88,902	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>88,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(507)</u>	<u>-</u>	<u>592</u>	<u>8,217</u>	<u>(1,471)</u>	<u>199,041</u>	<u>(38,228)</u>
Fund balances - beginning	626	519	111,294	35,741	20,557	544,928	41,539
Fund balances - ending	<u>\$ 119</u>	<u>\$ 519</u>	<u>\$ 111,886</u>	<u>\$ 43,958</u>	<u>\$ 19,086</u>	<u>\$ 743,969</u>	<u>\$ 3,311</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF AZTEC, NEW MEXICO**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2011**

			<b>Capital Projects Funds</b>				<b>Total Nonmajor Governmental Funds</b>
	<b>Emergency Medical Services</b>	<b>Total Special Revenue</b>	<b>Capital Projects</b>	<b>Capital Equipment Replacement</b>	<b>Community Development Block Grant</b>	<b>Total Capital Projects</b>	
<b>REVENUES:</b>							
Taxes:							
Gross receipts tax	\$ -	\$ -	\$ 531,713	\$ -	\$ -	\$ 531,713	\$ 531,713
Other taxes	-	10,498	-	-	-	-	10,498
Licenses and permits	-	8,000	-	-	-	-	8,000
Intergovernmental	-	227,471	55,000	-	-	55,000	282,471
Charges for services	-	81,502	-	-	-	-	81,502
Investment earnings	-	4,953	8,731	-	-	8,731	13,684
Miscellaneous	-	-	-	-	-	-	-
Total Revenues	-	332,424	595,444	-	-	595,444	927,868
<b>EXPENDITURES:</b>							
Current:							
General government	-	-	15,191	-	-	15,191	15,191
Public safety	-	198,803	-	-	-	-	198,803
Public works	-	-	-	-	-	-	-
Culture and recreation	-	13,067	-	-	-	-	13,067
Capital outlay	-	41,812	615,913	-	-	615,913	657,725
Debt service:							
Principal payments	-	-	144,353	-	-	144,353	144,353
Interest payments	-	-	195,574	-	-	195,574	195,574
Total Expenditures	-	253,682	971,031	-	-	971,031	1,224,713
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	78,742	(375,587)	-	-	(375,587)	(296,845)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	88,902	-	-	-	-	88,902
Transfers out	-	-	-	(1,721)	-	(1,721)	(1,721)
Total other financing sources (uses)	-	88,902	-	(1,721)	-	(1,721)	87,181
Net change in fund balances	-	167,644	(375,587)	(1,721)	-	(377,308)	(209,664)
Fund balances - beginning	444	755,648	2,648,580	1,721	4,345	2,654,646	3,410,294
Fund balances - ending	\$ 444	\$ 923,292	\$ 2,272,993	\$ -	\$ 4,345	\$ 2,277,338	\$ 3,200,630

The notes to the financial statements are an integral part of this statement.

**Governmental Funds**

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**Statement of Revenues, Expenditure and Changes in  
Fund Balances – Budget and Actual**

**CITY OF AZTEC, NEW MEXICO**  
**Law Enforcement Protection Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	27,800	27,800	27,800	-
Investment earnings	100	100	92	(8)
Total Revenues	27,900	27,900	27,892	(8)
<b>EXPENDITURES:</b>				
Current:				
Public safety	20,400	24,815	24,815	-
Capital outlay	8,000	3,585	3,584	1
Total Expenditures	28,400	28,400	28,399	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	(500)	(500)	(507)	(7)
Fund balances - beginning	626	626	626	-
Fund balances - ending	\$ 126	\$ 126	\$ 119	\$ (7)

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Local Government Correction Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Charges for services	80,000	80,000	81,502	1,502
Total Revenues	80,000	80,000	81,502	1,502
<b>EXPENDITURES:</b>				
Current:				
Public safety	225,000	225,000	170,404	54,596
Capital outlay	-	-	-	-
Total Expenditures	225,000	225,000	170,404	54,596
Excess (Deficiency) of Revenues Over (Under) Expenditures	(145,000)	(145,000)	(88,902)	56,098
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	145,000	145,000	88,902	(56,098)
Transfers out	-	-	-	-
Total other financing sources (uses)	145,000	145,000	88,902	(56,098)
Net change in fund balances	-	-	-	-
Fund balances - beginning	519	519	519	-
Fund balances - ending	\$ 519	\$ 519	\$ 519	\$ -

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Economic Development Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Investment earnings	1,000	1,000	592	(408)
Total Revenues	1,000	1,000	592	(408)
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Net change in fund balances	1,000	1,000	592	(408)
Fund balances - beginning	111,294	111,294	111,294	-
Fund balances - ending	\$ 112,294	\$ 112,294	\$ 111,886	\$ (408)

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Development Fees Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	8,000	8,000
Investment earnings	250	250	217	(33)
Total Revenues	250	250	8,217	7,967
<b>EXPENDITURES:</b>				
Current:				
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	250	250	8,217	7,967
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	-	-	-
Net change in fund balances	250	250	8,217	7,967
Fund balances - beginning	35,741	35,741	35,741	-
Fund balances - ending	\$ 35,991	\$ 35,991	\$ 43,958	\$ 7,967

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Lodgers Tax Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Other taxes	12,000	12,000	10,498	(1,502)
Intergovernmental	-	1,000	1,000	-
Investment earnings	200	200	98	(102)
Total Revenues	12,200	13,200	11,596	(1,604)
<b>EXPENDITURES:</b>				
Current:				
Culture and recreation	16,845	17,845	13,067	4,778
Capital outlay	-	-	-	-
Total Expenditures	16,845	17,845	13,067	4,778
Net change in fund balances	(4,645)	(4,645)	(1,471)	3,174
Fund balances - beginning	20,557	20,557	20,557	-
Fund balances - ending	\$ 15,912	\$ 15,912	\$ 19,086	\$ 3,174

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**State Fire Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	198,671	198,671	198,671	-
Investment earnings	4,700	4,700	3,954	(746)
Miscellaneous	-	-	-	-
Total Revenues	203,371	203,371	202,625	(746)
<b>EXPENDITURES:</b>				
Current:				
Public safety	66,300	66,300	3,584	62,716
Capital outlay	219,390	219,390	-	219,390
Total Expenditures	285,690	285,690	3,584	282,106
Excess (Deficiency) of Revenues Over (Under) Expenditures	(82,319)	(82,319)	199,041	281,360
Fund balances - beginning	544,928	544,928	544,928	-
Fund balances - ending	\$ 462,609	\$ 462,609	\$ 743,969	\$ 281,360

The notes to the financial statements are an integral part of this statement.



**CITY OF AZTEC, NEW MEXICO**  
**Recreation Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Investment earnings	370	370	-	(370)
Miscellaneous	-	-	-	-
Total Revenues	370	370	-	(370)
<b>EXPENDITURES:</b>				
Current:				
Culture and recreation	5,000	-	-	-
Capital outlay	32,962	38,229	38,228	1
Total Expenditures	37,962	38,229	38,228	1
Net change in fund balances	(37,592)	(37,859)	(38,228)	(369)
Fund balances - beginning	41,539	41,539	41,539	-
Fund balances - ending	\$ 3,947	\$ 3,680	\$ 3,311	\$ (369)

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Emergency Medical Services Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Investment earnings	-	-	-	-
Total Revenues	-	-	-	-
<b>EXPENDITURES:</b>				
Current:				
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	444	444	444	-
Fund balances - ending	\$ 444	\$ 444	\$ 444	\$ -

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Capital Projects Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ 437,396	\$ 437,396	\$ 531,713	\$ 94,317
Intergovernmental	-	55,000	55,000	-
Investment earnings	15,000	15,000	8,731	(6,269)
Total Revenues	452,396	507,396	595,444	88,048
<b>EXPENDITURES:</b>				
Current:				
General government	519,500	15,955	15,191	764
Public works	-	-	-	-
Capital outlay	400,000	958,517	615,913	342,604
Debt service:				
Principal payments	144,353	144,353	144,353	-
Interest payments	195,546	195,574	195,574	-
Total Expenditures	1,259,399	1,314,399	971,031	343,368
Net change in fund balances	(807,003)	(807,003)	(375,587)	431,416
Fund balances - beginning	2,648,580	2,648,580	2,648,580	-
Fund balances - ending	\$ 1,841,577	\$ 1,841,577	\$ 2,272,993	\$ 431,416

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Capital Equipment Replacement Capital Projects Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Total Revenues	-	-	-	-
<b>EXPENDITURES:</b>				
Capital outlay	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	(1,721)	(1,721)	-
Total other financing sources (uses)	-	(1,721)	(1,721)	-
Net change in fund balances	-	(1,721)	(1,721)	-
Fund balances - beginning	1,721	1,721	1,721	-
Fund balances - ending	\$ 1,721	\$ -	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Community Development Block Grant Capital Projects Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Total Revenues	-	-	-	-
<b>EXPENDITURES:</b>				
Capital outlay	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	4,345	4,345	4,345	-
Fund balances - ending	\$ 4,345	\$ 4,345	\$ 4,345	\$ -

The notes to the financial statements are an integral part of this statement.

## **Enterprise Funds**

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### **Statement of Revenues, Expenses and Changes in Fund Net Assets Budget and Actual (Non-GAAP Budgetary Basis)**

Joint Utility Fund - The following funds are used to account for the activities of the City's electric, water and wastewater utility operations.

Solid Waste Fund - This fund is used to account for the City's solid waste services. The operation of the service is performed under a contract with the City by a private enterprise.

Irrigation Assessment Fund - This fund is used to account for the activities of the City's irrigation assessment activities.

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**CITY OF AZTEC, NEW MEXICO**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Budget to Actual (Non-GAAP Budgetary Basis)**  
**Joint Utility Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for Sales and Services:				
Joint utility	\$ 9,498,551	\$ 9,498,551	\$ 9,456,802	\$ (41,749)
Other revenues	49,200	49,200	77,805	28,605
Total Operating Revenues	9,547,751	9,547,751	9,534,607	(13,144)
Operating expenses:				
Salaries and fringe benefits	1,526,200	1,542,148	1,442,093	100,055
Purchased power	3,638,716	3,638,716	3,482,712	156,004
Other operating expenses	2,779,911	2,651,847	1,612,762	1,039,085
Payments in lieu of taxes	452,613	452,613	446,905	5,708
Capital outlay	1,132,840	1,459,956	806,387	653,569
Total Operating Expenses	9,530,280	9,745,280	7,790,859	1,954,421
Operating income	17,471	(197,529)	1,743,748	1,941,277
Nonoperating revenues (expenses):				
Investment earnings	83,700	83,700	62,573	(21,127)
Gross receipts tax	72,917	72,917	88,721	15,804
Principal payments	(432,868)	(432,868)	(383,666)	49,202
Interest expense	(183,214)	(183,214)	(175,190)	8,024
Total Nonoperating Revenues (Expenses)	(459,465)	(459,465)	(407,562)	51,903
Income (Loss) Before Other Sources (Uses)	(441,994)	(656,994)	1,336,186	1,993,180
Contributed capital	120,000	120,000	172,931	52,931
Operating transfers, in	1,036,000	1,254,461	1,219,168	(35,293)
Operating transfers, out	(1,036,000)	(1,253,600)	(1,218,308)	35,292
Change in net assets	(321,994)	(536,133)	1,509,977	2,046,110
Total net assets - beginning	33,757,181	33,757,181	33,757,181	-
Total net assets - ending	\$ 33,435,187	\$ 33,221,048	35,267,158	\$ 2,046,110
RECONCILIATION TO GAAP BASIS:				
Add back capital expenditures			806,387	
Less depreciation expense			(1,450,930)	
Add back principal payments			383,666	
			\$ 35,006,281	

The notes to the financial statements are an integral part of this statement.



**CITY OF AZTEC, NEW MEXICO**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Budget to Actual (Non-GAAP Budgetary Basis)**  
**Solid Waste Fund**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for Sales and Services:				
Solid waste	\$ 675,000	\$ 675,000	\$ 688,861	\$ 13,861
Other revenues	-	-	2,700	2,700
Total Operating Revenues	<u>675,000</u>	<u>675,000</u>	<u>691,561</u>	<u>16,561</u>
Operating expenses:				
Salaries and fringe benefits	22,700	22,700	21,897	803
Purchased power, fuel and chemicals	-	-	-	-
Other operating expenses	670,160	670,160	647,426	22,734
Capital outlay	4,167	4,167	-	4,167
Total Operating Expenses	<u>697,027</u>	<u>697,027</u>	<u>669,323</u>	<u>27,704</u>
Operating income	<u>(22,027)</u>	<u>(22,027)</u>	<u>22,238</u>	<u>44,265</u>
Nonoperating revenues (expenses):				
Investment earnings	1,600	1,600	1,120	(480)
Interest expense	-	-	-	-
Other fiscal charges	-	-	-	-
Total Nonoperating Revenues (Expenses)	<u>1,600</u>	<u>1,600</u>	<u>1,120</u>	<u>(480)</u>
Income (Loss) Before Operating Transfers	<u>(20,427)</u>	<u>(20,427)</u>	<u>23,358</u>	<u>43,785</u>
Capital contributions	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Operating transfers, in	-	-	-	-
Operating transfers, out	-	-	-	-
Change in net assets	<u>(20,427)</u>	<u>(20,427)</u>	<u>23,358</u>	<u>43,785</u>
Total net assets - beginning	<u>242,629</u>	<u>242,629</u>	<u>242,629</u>	<u>-</u>
Total net assets - ending	<u>\$ 222,202</u>	<u>\$ 222,202</u>	<u>265,987</u>	<u>\$ 43,785</u>
RECONCILIATION TO GAAP BASIS:				
Add back capital expenditures			-	
Less depreciation expense			<u>(3,170)</u>	
			<u>\$ 262,817</u>	

The notes to the financial statements are an integral part of this statement.

**CITY OF AZTEC, NEW MEXICO**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Budget to Actual (Non-GAAP Budgetary Basis)**  
**Irrigation Assessment Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for Sales and Services:				
Irrigation	\$ 13,159	\$ 13,159	\$ 13,159	\$ -
Other revenues	-	-	-	-
Total Operating Revenues	13,159	13,159	13,159	-
Operating expenses:				
Salaries and fringe benefits	-	-	-	-
Other operating expenses	7,700	7,700	4,978	2,722
Capital outlay	-	-	-	-
Total Operating Expenses	7,700	7,700	4,978	2,722
Operating income (loss)	5,459	5,459	8,181	2,722
Nonoperating revenues (expenses):				
Investment earnings	950	950	686	(264)
Interest expense	-	-	-	-
Other fiscal charges	-	-	-	-
Total Nonoperating Revenues (Expenses)	950	950	686	(264)
Income (Loss) Before Operating Transfers	6,409	6,409	8,867	2,458
Capital contributions	-	-	-	-
Operating transfers, in	-	-	-	-
Change in net assets	6,409	6,409	8,867	2,458
Total net assets - beginning	188,571	188,571	188,571	-
Total net assets - ending	\$ 194,980	\$ 194,980	197,438	\$ 2,458
RECONCILIATION TO GAAP BASIS:				
Add back capital expenditures			-	
Less depreciation expense			(4,331)	
			\$ 193,107	

The notes to the financial statements are an integral part of this statement.

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**Fiduciary Funds  
Agency Funds**

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**Statement of Changes in Fiduciary Net Assets  
Agency Funds**

Employee Association Trust Fund – Agency fund that accounts for employee contributions that are used for special occasions such as sending flowers, etc.

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**CITY OF AZTEC, NEW MEXICO**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**Year Ended June 30, 2011**

	<u>Balance</u> <u>June 30,</u> <u>2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30,</u> <u>2011</u>
<b><u>ASSETS</u></b>				
<u>Cash:</u>				
Employee Association Trust Fund	\$ 5,087	\$ 4,506	\$ 7,750	\$ 1,843
Total assets	<u>\$ 5,087</u>	<u>\$ 4,506</u>	<u>\$ 7,750</u>	<u>\$ 1,843</u>
<b><u>LIABILITIES</u></b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deposits held for others	<u>5,087</u>	<u>4,506</u>	<u>7,750</u>	<u>1,843</u>
Total liabilities	<u>\$ 5,087</u>	<u>\$ 4,506</u>	<u>\$ 7,750</u>	<u>\$ 1,843</u>

The notes to the financial statements are an integral part of this statement.

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**Capital Assets Used in the Operation of  
Governmental Funds**



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**CITY OF AZTEC, NEW MEXICO**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Source**  
**June 30, 2011**

	<b>2011</b>
<b>Governmental Funds Capital Assets:</b>	
Land	\$ 638,435
Buildings & Structures	7,462,033
Improvements Other than Buildings	2,011,850
Equipment & Machinery	4,687,892
Infrastructure	13,047,867
Construction (Projects) in Process	2,734,315
Total Governmental Funds Capital Assets	\$ 30,582,392
 <b>Investment in Governmental Funds Capital Assets by Source:</b>	
General Fund	\$ 12,155,768
Special revenue funds	9,523,714
Capital projects funds	7,929,995
Donations	972,915
Total Governmental Funds Capital Assets	\$ 30,582,392

**CITY OF AZTEC, NEW MEXICO**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**For the Year Ended June 30, 2011**

<b>FUNCTION AND ACTIVITY</b>	<b>Land</b>	<b>Buildings &amp; Improvements</b>	<b>Improvements Other than Buildings</b>	<b>Furniture &amp; Fixtures</b>	<b>Equipment &amp; Machinery</b>	<b>Vehicles &amp; Heavy Equip</b>	<b>Infrastructure</b>	<b>Construction in Progress</b>	<b>Total</b>
<b>General Government:</b>									
Legislative	\$ -	\$ 12,398	\$ 1,865	\$ 2,018	\$ -	\$ -	\$ -	\$ -	\$ 16,281
Judicial	-	-	-	-	47,200	-	-	-	47,200
Executive	63,587	149,933	1,605	19,293	7,845	61,361	-	-	303,624
Finance Administration	-	402,118	-	-	122,376	-	-	-	524,494
Motor Vehicle	-	448,102	-	-	17,460	-	-	-	465,562
Community Development	-	-	-	7,317	7,865	23,254	-	-	38,436
Information Systems	-	2,412	-	-	142,607	18,984	-	-	164,003
Municipal Building Maint	-	176,016	20,880	-	16,494	11,095	5,226	-	229,711
Fleet Maintenance	-	-	-	-	-	-	-	-	-
Total General Government	<u>63,587</u>	<u>1,190,979</u>	<u>24,350</u>	<u>28,628</u>	<u>361,847</u>	<u>114,694</u>	<u>5,226</u>	<u>-</u>	<u>1,789,311</u>
<b>Public Safety:</b>									
Police	-	568,383	8,750	7,589	346,895	636,782	-	-	1,568,399
Fire	35,051	411,471	31,523	-	291,722	1,356,309	-	-	2,126,076
Animal Control	-	953,827	32,656	-	35,236	98,448	-	-	1,120,167
Total Public Safety	<u>35,051</u>	<u>1,933,681</u>	<u>72,929</u>	<u>7,589</u>	<u>673,853</u>	<u>2,091,539</u>	<u>-</u>	<u>-</u>	<u>4,814,642</u>
<b>Public Works:</b>									
Streets	103,153	77,149	176,136	-	59,113	665,544	10,800,424	2,121,420	14,002,939
Electric	-	-	-	-	-	-	18,646	-	18,646
Total Public Works	<u>103,153</u>	<u>77,149</u>	<u>176,136</u>	<u>-</u>	<u>59,113</u>	<u>665,544</u>	<u>10,819,070</u>	<u>2,121,420</u>	<u>14,021,585</u>
<b>Culture and Recreation:</b>									
Parks & Recreation	426,644	330,437	1,707,136	-	263,013	307,514	132,847	612,895	3,780,486
Library	-	1,947,936	-	37,156	38,620	-	-	-	2,023,712
Airport	10,000	42,008	11,239	-	1,840	9,836	2,090,724	-	2,165,647
Total Culture and Recreation	<u>436,644</u>	<u>2,320,381</u>	<u>1,718,375</u>	<u>37,156</u>	<u>303,473</u>	<u>317,350</u>	<u>2,223,571</u>	<u>612,895</u>	<u>7,969,845</u>
<b>Health and Welfare:</b>									
Community Center	-	204,544	20,060	2,135	24,971	-	-	-	251,710
NESJC Family Center	-	1,735,299	-	-	-	-	-	-	1,735,299
Total Health and Welfare	<u>-</u>	<u>1,939,843</u>	<u>20,060</u>	<u>2,135</u>	<u>24,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,987,009</u>
<b>Total Capital Assets</b>	<b><u>\$ 638,435</u></b>	<b><u>\$ 7,462,033</u></b>	<b><u>\$ 2,011,850</u></b>	<b><u>\$ 75,508</u></b>	<b><u>\$ 1,423,257</u></b>	<b><u>\$ 3,189,127</u></b>	<b><u>\$ 13,047,867</u></b>	<b><u>\$ 2,734,315</u></b>	<b><u>\$ 30,582,392</u></b>

**CITY OF AZTEC, NEW MEXICO**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
**For the Year Ended June 30, 2011**

<b>FUNCTION AND ACTIVITY</b>	<b>Capital Assets June 30, 2010</b>	<b>Additions/ Reclassifications</b>	<b>Deductions/ Reclassifications</b>	<b>Capital Assets June 30, 2011</b>
<b>GENERAL GOVERNMENT:</b>				
Legislative	\$ 24,276	\$ -	\$ (7,995)	\$ 16,281
Judicial	47,200	-	-	47,200
Executive	305,252	-	(1,628)	303,624
Finance Administration	527,549	-	(3,055)	524,494
Motor Vehicle	467,361	-	(1,799)	465,562
Community Development	53,608	-	(15,172)	38,436
Information Systems	166,920	-	(2,917)	164,003
Municipal Building Maint	110,030	119,678	3	229,711
Fleet Maintenance	-	-	-	-
Total General Government	<u>1,702,196</u>	<u>119,678</u>	<u>(32,563)</u>	<u>1,789,311</u>
<b>PUBLIC SAFETY:</b>				
Police	1,500,411	93,788	(25,800)	1,568,399
Fire	2,126,076	-	-	2,126,076
Animal Control	<u>1,107,446</u>	<u>19,021</u>	<u>(6,300)</u>	<u>1,120,167</u>
Total Public Safety	<u>4,733,933</u>	<u>112,809</u>	<u>(32,100)</u>	<u>4,814,642</u>
<b>PUBLIC WORKS:</b>				
Streets	12,330,364	1,735,155	(62,580)	14,002,939
Electric	<u>22,555</u>	<u>-</u>	<u>(3,909)</u>	<u>18,646</u>
Total Public Works	<u>12,352,919</u>	<u>1,735,155</u>	<u>(66,489)</u>	<u>14,021,585</u>
<b>CULTURE AND RECREATION:</b>				
Parks & Recreation	3,153,962	653,551	(27,027)	3,780,486
Airport	543,151	1,740,231	(117,735)	2,165,647
Library	<u>2,023,712</u>	<u>-</u>	<u>-</u>	<u>2,023,712</u>
Total Culture and Recreation	<u>5,720,825</u>	<u>2,393,782</u>	<u>(144,762)</u>	<u>7,969,845</u>
<b>HEALTH AND WELFARE:</b>				
Community Center	251,710	-	-	251,710
NESJC Family Center	<u>1,736,315</u>	<u>-</u>	<u>(1,016)</u>	<u>1,735,299</u>
Total Health and Welfare	<u>1,988,025</u>	<u>-</u>	<u>(1,016)</u>	<u>1,987,009</u>
<b>Total Capital Assets</b>	<u><u>\$ 26,497,898</u></u>	<u><u>\$ 4,361,424</u></u>	<u><u>\$ (276,930)</u></u>	<u><u>\$ 30,582,392</u></u>

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**Additional Disclosures Required by the  
New Mexico State Auditor**

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**CITY OF AZTEC, NEW MEXICO**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**June 30, 2011**

	<b>Wells Fargo Bank</b>	<b>Four Corners Community Bank</b>	<b>Bank of America</b>	<b>Citizens Bank</b>	<b>Total</b>
Checking account (non-interest bearing)	\$ 848	\$ -	\$ -	\$ 265,246	\$ 266,094
Checking account (interest bearing)	584,007	-	-	2,644,639	3,228,646
Certificates of deposit (interest bearing)	750,000	3,500,000	2,000,000	-	6,250,000
Deposits, at June 30, 2011	<u>1,334,855</u>	<u>3,500,000</u>	<u>2,000,000</u>	<u>2,909,885</u>	<u>9,744,740</u>
FDIC Insurance	500,848	250,000	250,000	515,246	1,516,094
Uninsured amount	834,007	3,250,000	1,750,000	2,394,639	8,228,646
Less 50 percent	417,004	1,625,000	875,000	1,197,320	4,114,323
Amount requiring pledged collateral	<u>417,004</u>	<u>1,625,000</u>	<u>875,000</u>	<u>1,197,320</u>	<u>4,114,323</u>
Pledged collateral at June 30, 2011	<u>873,662</u>	<u>1,872,803</u>	<u>-</u>	<u>2,049,657</u>	<u>4,796,122</u>
<b>Excess (deficiency) of pledged collatera</b>	<b>\$ 456,659</b>	<b>\$ 247,803</b>	<b>\$ (875,000)</b>	<b>\$ 852,338</b>	<b>\$ 681,799</b>

<b>Pledged collateral (market value) located at:</b>	<b>Minneapolis, MN</b>	<b>Dallas, TX</b>	<b>Dallas, TX</b>	<b>Dallas, TX</b>	
Fed Nat'l Mtg Assn 953910 6% 11/1/2037	\$ 873,662	\$ -	\$ -	\$ -	\$ 873,662
FHLB; #31417YBR7; 05/15/2015	-	-	-	2,049,657	2,049,657
Fmgtn NM GRT Bonds 4%; #311455EZ8; 06/15/2014	-	210,510	-	-	210,510
Fmgtn Mun Sch 3.6%; #311441HM4; 09/01/2016	-	213,176	-	-	213,176
Bernalillo NM Sch 3.5%; #085279NTO; 08/01/2015	-	161,826	-	-	161,826
Gallup NM GO UT 4%; #364028EUO; 08/01/2020	-	275,650	-	-	275,650
FFCB Fixed Note 5.5%; #31331GLHO; 02/27/2023	-	1,011,641	-	-	1,011,641
	-	-	-	-	-
<b>Totals</b>	<b>\$ 873,662</b>	<b>\$ 1,872,803</b>	<b>\$ -</b>	<b>\$ 2,049,657</b>	<b>\$ 4,796,122</b>

<b>Reconciliation to Financial Statements:</b>					
Total per banks	\$ 1,334,855	\$ 3,500,000	\$ 2,000,000	\$ 2,909,885	\$ 9,744,740
Reconciling items:					
Deposits in transit	-	-	-	53,657	53,657
Outstanding checks	(112)	-	-	(276,855)	(276,967)
Total per books	<u>\$ 1,334,743</u>	<u>\$ 3,500,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,686,687</u>	9,521,430
NM Treasurer Investment Pool					9,774,302
Cash with fiscal agent					1,280,704
Cash on hand					<u>2,570</u>
Total per financial statement:					<u>\$ 20,579,006</u>

<b>Financial Statements:</b>		
Cash and cash equivalents:		
Governmental activities		\$ 6,382,174
Business-type activities		12,914,285
Fiduciary activities		1,843
Cash with fiscal agent:		
Governmental activities		1,224,817
Business-type activities		<u>55,887</u>
Total per financial statement:		<u>\$ 20,579,006</u>



CITY OF AZTEC, NEW MEXICO  
SCHEDULE OF JOINT POWER AGREEMENTS  
FOR THE YEAR ENDING JUNE 30, 2011

Participants City of Aztec)	(including Responsible Party	Description	Dates of Agreement	Total Project	City Share	FY11 Amount	Audit Responsibility
San Juan County	San Juan County	County jail operations	b. 10/05/04 t. none	variable	\$63.23/day/prisoner through 6/30/11; rate recalculated July 1 in subsequent years	\$ 170,404	San Juan County
Cities of Bloomfield & Farmington, San Juan County, San Juan County Crimestoppers, Inc.	San Juan County Crimestoppers, Inc.	Crime prevention program	b. 9/16/96 t. None	variable	pro-rata share of costs	\$ 6,440	San Juan County Crimestoppers, Inc.
Cities of Bloomfield & Farmington; San Juan County; rural water associations	San Juan Water Commission	Water rights protection/acquisition/distribution	b. 3/28/86 t. none	variable	.5% of mill levy assessed on property taxes	\$5,336 est	San Juan Water Commission
Cities of Bloomfield & Farmington: San Juan County	San Juan County Communications Authority	Unified dispatch service	b. 5/24/92 t. none	variable	Once maximum Capital Equipment Replacement Fund balance reached, pro-rata share will be assessed to maintain CERF balance; Aztec share 6%	\$ -	San Juan County Communications Authority
Cities of Bloomfield & Farmington and San Juan County	City of Farmington	<u>Municipal Planning Organization</u>	b. 10/09 t. 9/2012	variable	pro-rata share (10%) of costs of MPO (operational and special projects)	\$ 3,395	City of Farmington

## **STATISTICAL SECTION**

Schedule 1

City of Aztec  
**Net Assets by Component**  
**Last Nine Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ 7,797,033	\$ 8,351,639	\$ 8,395,200	\$ 10,427,544	\$ 11,583,291	\$ 11,517,852	\$ 15,048,147	\$ 12,817,692	\$ 15,877,838
Restricted	431,621	2,823,001	1,979,287	765,441	857,582	907,377	857,112	739,306	4,553,662
Unrestricted	5,823,695	4,062,836	6,819,141	7,456,271	7,918,899	9,971,284	8,620,444	7,802,526	4,006,565
Total governmental activities net assets	<u>\$ 14,052,349</u>	<u>\$ 15,237,476</u>	<u>\$ 17,193,628</u>	<u>\$ 18,649,256</u>	<u>\$ 20,359,772</u>	<u>\$ 22,396,513</u>	<u>\$ 24,525,703</u>	<u>\$ 21,359,524</u>	<u>\$ 24,438,065</u>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ 14,116,973	\$ 12,475,127	\$ 12,467,106	\$ 13,784,572	\$ 14,387,194	\$ 14,951,711	\$ 16,940,492	\$ 21,749,963	\$ 21,481,586
Restricted	104,085	166,892	66,821	45,918	50,157	54,261	92,465	69,135	628,845
Unrestricted	2,660,380	5,318,677	6,114,060	7,080,613	7,992,084	9,442,598	10,533,764	12,369,283	13,351,774
Total business-type activities net assets	<u>\$ 16,881,438</u>	<u>\$ 17,960,696</u>	<u>\$ 18,647,987</u>	<u>\$ 20,911,103</u>	<u>\$ 22,429,435</u>	<u>\$ 24,448,570</u>	<u>\$ 27,566,721</u>	<u>\$ 34,188,381</u>	<u>\$ 35,462,205</u>
<b>Primary government</b>									
Invested in capital assets, net of related debt	\$ 21,914,006	\$ 20,826,766	\$ 20,862,306	\$ 24,212,116	\$ 25,970,485	\$ 26,469,563	\$ 31,988,639	\$ 34,567,655	\$ 37,359,424
Restricted	535,706	2,989,893	2,046,108	811,359	907,739	961,638	949,577	808,441	5,182,507
Unrestricted	8,484,075	9,381,513	12,933,201	14,536,884	15,910,983	19,413,882	19,154,208	20,171,809	17,358,339
Total business-type activities net assets	<u>\$ 30,933,787</u>	<u>\$ 33,198,172</u>	<u>\$ 35,841,615</u>	<u>\$ 39,560,359</u>	<u>\$ 42,789,207</u>	<u>\$ 46,845,083</u>	<u>\$ 52,092,424</u>	<u>\$ 55,547,905</u>	<u>\$ 59,900,270</u>

**Source:** City of Aztec CAFRs

**Note:** The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2003

Schedule 2

City of Aztec  
**Changes in Net Assets**  
**Last Nine Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>									
Governmental Activities									
General Government	\$ 689,296	\$ 894,271	\$ 1,274,513	\$ 1,381,532	\$ 1,815,671	\$ 2,110,680	\$ 1,983,249	\$ 2,257,458	\$ 2,199,348
Public Safety	1,523,840	2,105,029	1,905,168	2,135,358	2,229,695	2,733,897	2,862,497	3,755,435	1,891,687
Public Works	908,832	654,237	990,905	1,853,128	3,532,321	2,084,200	1,921,141	3,887,767	1,370,015
Health & Welfare	83,627		154,996						620,409
Culture and Recreation	657,178	840,454	668,126	1,012,513	1,055,677	1,285,597	1,414,843	2,289,542	1,317,231
Interest on Long Term Debt									
Total governmental activities expense	<u>3,862,773</u>	<u>4,493,991</u>	<u>4,993,708</u>	<u>6,382,531</u>	<u>8,633,364</u>	<u>8,214,374</u>	<u>8,181,730</u>	<u>12,190,202</u>	<u>7,398,690</u>
Business Type Activities									
Joint Utility	4,961,298	5,395,009	5,743,024	5,972,592	7,841,078	8,177,753	7,995,060	9,367,458	8,610,592
Solid Waste	485,906	506,412	533,877	566,775	588,533	610,138	649,266	660,642	672,493
Irrigation	28,963	28,467	24,550	25,108	6,812	7,008	7,159	8,016	9,309
Total business type activities expenses	<u>5,476,167</u>	<u>5,929,888</u>	<u>6,301,451</u>	<u>6,564,475</u>	<u>8,436,423</u>	<u>8,794,899</u>	<u>8,651,485</u>	<u>10,036,116</u>	<u>9,292,394</u>
Total primary government expenses	<u>\$ 9,338,940</u>	<u>\$ 10,423,879</u>	<u>\$ 11,295,159</u>	<u>\$ 12,947,006</u>	<u>\$ 17,069,787</u>	<u>\$ 17,009,273</u>	<u>\$ 16,833,215</u>	<u>\$ 22,226,318</u>	<u>\$ 16,691,084</u>
<b>Program Revenues</b>									
Governmental activities									
Charges for services									
General Government	\$ 231,990	\$ 260,505	\$ 765,094	\$ 784,661	\$ 748,151	\$ 887,570	\$ 168,223	\$ 150,871	\$ 234,996
Public Safety	440,644	406,335	46,924	75,947	72,413	85,907	676,813	512,697	444,413
Public Works			306	89,532	85,366	101,274	94,643	84,884	28,480
Health & Welfare			6,814						25,531
Culture and Recreation	22,936	51,725	5,758	17,037	16,244	19,272	82,711	74,042	49,566
Operating grants and contributions	1,055,994	1,319,881	388,499	1,035,880	1,296,919	1,063,924	429,943	437,993	269,709
Capital grants and contributions	641,102	82,379	373,773	518,599	1,893,140	865,010	2,692,365	2,742,777	3,578,843
Total governmental activities program revenues	<u>2,392,666</u>	<u>2,120,825</u>	<u>1,587,168</u>	<u>2,521,656</u>	<u>4,112,233</u>	<u>3,022,957</u>	<u>4,144,698</u>	<u>4,003,264</u>	<u>4,631,538</u>
Business-type activities									
Charges for services									
Joint Utility	5,217,385	5,368,392	6,286,230	7,478,390	8,695,555	9,549,963	9,806,660	9,569,623	9,534,607
Solid Waste	498,310	511,115	529,623	559,653	579,151	592,309	659,621	678,640	691,561
Irrigation	13,277	13,159	13,159	13,159	13,159	13,159	13,159	13,159	13,159
Operating grants and contributions	50,000	660,016							
Capital grants and contributions	414,134		107,189	285,169	224,236	266,056	308,650	5,689,497	172,931
Total business-type activities program revenues	<u>6,193,106</u>	<u>6,552,682</u>	<u>6,936,201</u>	<u>8,336,371</u>	<u>9,512,101</u>	<u>10,421,487</u>	<u>10,788,090</u>	<u>15,950,919</u>	<u>10,412,258</u>
Total primary government program revenues	<u>\$ 8,585,772</u>	<u>\$ 8,673,507</u>	<u>\$ 8,523,369</u>	<u>\$ 10,858,027</u>	<u>\$ 13,624,334</u>	<u>\$ 13,444,444</u>	<u>\$ 14,932,788</u>	<u>\$ 19,954,183</u>	<u>\$ 15,043,796</u>

**Source:** City of Aztec CAFRs

**Note:** The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2003

Schedule 2

**City of Aztec**  
**Changes in Net Assets**  
**Last Nine Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Net (Expenses)/Revenues</b>									
Governmental activities	\$ (1,470,107)	\$ (2,373,166)	\$ (3,406,540)	\$ (3,860,875)	\$ (4,521,131)	\$ (5,191,417)	\$ (4,037,032)	\$ (8,186,938)	\$ (2,767,152)
Business-type activities	716,939	622,794	634,750	1,771,896	1,075,678	1,626,588	2,136,605	5,914,803	1,119,864
Total primary government activities expenses	<u>\$ (753,168)</u>	<u>\$ (1,750,372)</u>	<u>\$ (2,771,790)</u>	<u>\$ (2,088,979)</u>	<u>\$ (3,445,453)</u>	<u>\$ (3,564,829)</u>	<u>\$ (1,900,427)</u>	<u>\$ (2,272,135)</u>	<u>\$ (1,647,288)</u>
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities									
Taxes									
Gross receipts taxes	\$ 2,487,052	\$ 2,887,368	\$ 3,736,964	\$ 3,998,584	\$ 4,582,503	\$ 5,478,504	\$ 5,384,771	\$ 4,090,147	\$ 4,255,156
Property taxes	283,815	334,830	393,056	398,982	424,940	479,294	537,994	522,553	571,668
Franchise taxes	107,683	114,754	114,754	471,109	534,301	523,744	478,811	474,311	544,923
Other taxes	222,122	207,794	661,208	244,563	224,579	253,673	193,978	237,649	187,401
Other revenue	64,701	104,229	100,823	123,171	116,688	107,739	102,597	176,437	247,095
Unrestricted investment earnings	134,585	613	168,848	277,530	343,285	333,053	164,524	58,916	40,310
Loss on disposition			5,263						
Transfers	(39,123)	(375,366)	170,493	(197,436)	5,351	52,151	(696,453)	(539,254)	(860)
Total governmental activities	<u>3,260,835</u>	<u>3,274,202</u>	<u>5,236,655</u>	<u>5,316,503</u>	<u>6,231,647</u>	<u>7,228,158</u>	<u>6,166,222</u>	<u>5,020,759</u>	<u>5,845,693</u>
Business-type activities									
Environmental taxes			78,146	83,682	96,021	114,872	112,593	85,308	88,721
Unrestricted investment earnings	117,911	81,246	113,249	210,102	351,984	329,826	172,500	82,295	64,379
Other Revenue			31,089						
Loss on disposition	(46,000)	(167)	550	197,436	(5,351)	(52,151)	696,453	539,254	860
Transfers	39,123	375,365	(170,493)	491,220	442,654	392,547	981,546	706,857	153,960
Total business-type activities	<u>111,034</u>	<u>456,464</u>	<u>52,541</u>	<u>5,807,723</u>	<u>\$ 6,674,301</u>	<u>\$ 7,620,705</u>	<u>\$ 7,147,768</u>	<u>\$ 5,727,616</u>	<u>\$ 5,999,653</u>
Total primary government	<u>\$ 3,371,869</u>	<u>\$ 3,730,666</u>	<u>\$ 5,289,196</u>	<u>\$ 5,807,723</u>	<u>\$ 6,674,301</u>	<u>\$ 7,620,705</u>	<u>\$ 7,147,768</u>	<u>\$ 5,727,616</u>	<u>\$ 5,999,653</u>
<b>Change in Net Assets</b>									
Governmental activities	\$ 1,790,728	\$ 901,036	\$ 1,830,115	\$ 1,455,628	\$ 1,710,516	\$ 2,036,741	\$ 2,129,190	\$ (3,166,179)	\$ 3,078,541
Business-type activities	827,973	1,079,258	687,291	2,263,116	1,518,332	2,019,135	3,118,151	6,621,660	1,273,824
Total primary government	<u>\$ 2,618,701</u>	<u>\$ 1,980,294</u>	<u>\$ 2,517,406</u>	<u>\$ 3,718,744</u>	<u>\$ 3,228,848</u>	<u>\$ 4,055,876</u>	<u>\$ 5,247,341</u>	<u>\$ 3,455,481</u>	<u>\$ 4,352,365</u>

**Source:** City of Aztec CAFRs

**Note:** The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2003

Schedule 3

City of Aztec  
Fund Balances, Governmental Funds  
Last Nine Fiscal Years  
(modified accrual basis of accounting)

<u>General Fund</u>	<u>Fiscal Year</u>	<u>Reserved</u>	<u>Unreserved</u>	<u>Nonspendable</u>	<u>Unassigned</u>	<u>Total</u>
	2003	\$ 788,692	\$ 3,149,184			\$ 3,937,876
	2004	443,098	3,897,506			4,340,604
	2005	1,256,352	4,079,992			5,336,344
	2006	606,874	4,088,709			4,695,583
	2007	697,196	3,751,236			4,448,432
	2008	741,181	4,612,717			5,353,898
	2009	706,187	4,677,120			5,383,307
	2010	588,192	4,617,847			5,206,039
	2011	658,710		991,707	3,660,757	5,311,174

All Other Governmental Funds

<u>Fiscal Year</u>	<u>Reserved</u>	<u>Unreserved</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Total</u>
2003	\$ 1,037	\$ 2,430,650				\$ 2,431,687
2004	304,520	2,075,383				2,379,903
2005	570,703	2,687,396				3,258,099
2006	158,567	3,208,869				3,367,436
2007	160,386	4,058,982				4,219,368
2008	166,196	5,235,656				5,401,852
2009	150,925	7,113,428				7,264,353
2010	151,114	4,545,704				4,696,818
2011	3,280		3,894,952	159,155		4,057,387

Source: City of Aztec CAFRs

Note: The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2003

City of Aztec  
 Changes in Fund Balances, Governmental Funds  
 Last Nine Fiscal Years  
 (modified accrual basis of accounting)

Schedule 4

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>									
Taxes	\$ 3,100,672	\$ 3,528,837	\$ 4,432,986	\$ 5,073,253	\$ 5,726,747	\$ 6,690,398	\$ 6,532,742	\$ 5,311,666	\$ 5,523,540
Licenses and permits	49,882	51,725	57,564	143,461	109,720	162,575	57,827	62,683	63,336
Intergovernmental	1,697,096	1,329,107	904,050	1,696,330	3,190,059	1,928,934	3,122,308	3,180,770	3,848,552
Charges for services	216,645	260,505	300,250	331,608	336,988	380,726	398,851	324,776	356,739
Fines	429,043	406,335	523,400	492,108	475,466	550,722	565,712	435,035	362,911
Investment earnings	134,585	104,229	168,847	277,530	343,285	333,053	164,524	58,916	40,310
Miscellaneous	64,701	60,051	76,636	123,171	116,688	107,739	102,597	176,437	247,095
<b>Total Revenues</b>	<b>5,692,624</b>	<b>5,740,789</b>	<b>6,463,733</b>	<b>8,137,461</b>	<b>10,298,953</b>	<b>10,154,147</b>	<b>10,944,561</b>	<b>9,550,283</b>	<b>10,442,483</b>
<b>Expenditures</b>									
<b>Current</b>									
General Government	670,845	732,116	1,169,293	1,169,572	1,632,016	1,665,357	1,833,036	1,763,356	1,804,289
Public Safety	1,424,983	1,672,449	1,693,441	1,908,208	1,967,451	2,421,134	2,651,381	2,409,157	1,728,707
Public Works	577,991	556,468	542,743	1,499,247	3,123,766	1,651,035	1,625,807	1,413,715	970,391
Health & Welfare	83,627		153,691						553,191
Culture and Recreation	529,051	714,856	566,252	887,098	910,885	1,068,047	1,205,663	1,143,772	1,087,033
<b>Debt</b>									
Principal			59,801	104,416	107,571	111,177	196,093	156,847	144,353
Interest			42,887	67,844	64,694	61,092	159,915	201,088	195,574
Capital Outlay	1,733,782	1,339,183	2,333,417	2,835,064	1,893,140	1,140,506	4,051,683	4,667,897	4,492,381
<b>Total expenditures</b>	<b>5,020,279</b>	<b>5,015,072</b>	<b>6,561,525</b>	<b>8,471,449</b>	<b>9,699,523</b>	<b>8,118,348</b>	<b>11,723,578</b>	<b>11,755,832</b>	<b>10,975,919</b>
<b>Excess of revenues over (under) expenditures</b>	<b>672,345</b>	<b>725,717</b>	<b>(97,792)</b>	<b>(333,988)</b>	<b>599,430</b>	<b>2,035,799</b>	<b>(779,017)</b>	<b>(2,205,549)</b>	<b>(533,436)</b>
<b>Other Financing Sources (Uses)</b>									
Operating transfers in	870,304	813,236	725,018	1,505,000	1,556,488	719,713	866,218	680,999	189,763
Operating transfers out	(909,427)	(1,188,622)	(554,525)	(1,702,436)	(1,551,137)	(667,562)	(1,562,671)	(1,220,253)	(190,623)
Proceeds from long-term debt, net			1,794,735						
Proceeds from sale of capital assets		613	6,500						
Bonds Issued							3,367,380		
<b>Total other financing sources and uses</b>	<b>(39,123)</b>	<b>(374,773)</b>	<b>1,971,728</b>	<b>(197,436)</b>	<b>5,351</b>	<b>52,151</b>	<b>2,670,927</b>	<b>(539,254)</b>	<b>(860)</b>
<b>Net change in fund balance</b>	<b>\$ 633,222</b>	<b>\$ 350,944</b>	<b>\$ 1,873,936</b>	<b>\$ (531,424)</b>	<b>\$ 604,781</b>	<b>\$ 2,087,950</b>	<b>\$ 1,891,910</b>	<b>\$ (2,744,803)</b>	<b>\$ (534,296)</b>

Source: City of Aztec CAFRs

Note: The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2003

## **SINGLE AUDIT SECTION**



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**CITY OF AZTEC, NEW MEXICO**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2011**

<u>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Federal Highway Administration</u>			
Pass-Through Program From:			
New Mexico Department of Transportation			
ARRA Transportation	20.205	ESF1050	\$ <u>1,497,334</u>
Total U.S. Federal Highway Administration			<u>1,497,334</u>
<u>U.S. Federal Aviation Administration</u>			
Direct Program - Airport Improvement Program	20.106	3-35-0056-003-2010	<u>1,696,368</u>
Total US DOT FAA			<u>1,696,368</u>
<u>U.S. Department of Justice</u>			
Direct program - Bullet proof vest program FY10 Award	16.607		<u>1,093</u>
Total US DOJ			<u>1,093</u>
Total Expenditures of Federal Awards			<u>\$ 3,194,795</u>

See accompanying notes to Schedule of  
Expenditures of Federal Awards.

**CITY OF AZTEC**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2011**

**NOTE 1 - SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133**

All federal grant operations of the City of Aztec (the "City") are included in the scope of the Office of Management and Budget ("OMB") Circular A-133 audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement. Compliance testing of all requirements as described in the Compliance Supplement was performed for the grant programs noted below. These programs represent all federal award programs and other grants with fiscal 2011 cash and non-cash expenditures to ensure coverage of at least 50 percent (high risk auditee) of federally granted funds. Actual coverage is 99.96% of total cash and non-cash federal award program expenditures.

	<u>Fiscal Year</u> <u>2011</u>
Major Federal Award Program Description	<u>Expenditure</u>
20.205 – ARRA Transportation	\$1,497,334
20.106 – Community Development Block Grants – Entitlement Grants	\$1,696,368

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of presentation*

The accompanying Schedule of Expenditures of Federal Awards includes all federal grants to the City that had activity during the fiscal year ended June 30, 2011. This schedule has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the City has met the qualifications for the respective grants.

*Accrued and deferred reimbursements*

Various reimbursement procedures are used for Federal awards received by the City. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year-end represent an excess of reimbursable expenditures over receipts to date. Generally, accrued or deferred balances covered by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period.

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance With  
Government Auditing Standards**

City of Aztec  
Aztec, New Mexico  
Honorable Mayor and City Commission, and  
Hector H. Balderas, New Mexico State Auditor

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund, and the combining and individual funds and related budgetary comparison presented as supplemental information of the City of Aztec, New Mexico (City), as of and for the year ended June 30, 2011, and have issued our report thereon dated August 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, as finding 2011-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted one instance of noncompliance that are required to be reported under Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs, as finding 2004-1.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the City Commission, City management, the Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Farmington, New Mexico  
August 31, 2012

**Report on Compliance  
With Requirements Applicable to Each  
Major Program and Internal Control Over  
Compliance in Accordance With  
OMB Circular A-133**

City of Aztec  
Aztec, New Mexico  
Honorable Mayor and City Commission, and  
Hector H. Balderas, New Mexico State Auditor

Compliance

We have audited the City of Aztec, New Mexico (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-1.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

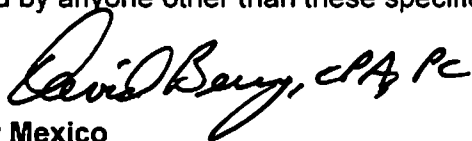
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the City Council, City management, the Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Farmington, New Mexico  
August 31, 2012

**CITY OF AZTEC  
SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS  
Year Ended June 30, 2011**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Aztec.
2. One significant deficiency and no material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No significant deficiencies and no material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion.
6. One audit finding relative to the major federal award programs for the City is reported in Part C of this Schedule.
7. The program tested as major programs included:

	<u>Fiscal Year</u> <u>2011</u>
	<u>Expenditure</u>
Major Federal Award Program Description	
20.205 – ARRA Transportation	\$1,497,334
20.106 – Community Development Block Grants – Entitlement Grants	\$1,696,368

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City was determined to be a high-risk auditee.



**CITY OF AZTEC  
SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS  
Year Ended June 30, 2011**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

<b>Prior Year Findings</b>		<b>Status</b>
2004-1	Failure to File Audit Report by Due Date	Repeated
2009-1	Noncompliance with OMB Circular No. A-133.320(a)	Repeated
2010-1	Capital Assets and Long-term Debt Reconciliations	Not repeated

**Current Year Findings**

2004-1 Failure to File Audit Report by Due Date

Condition

The New Mexico State Auditor requires the audit to be completed and submitted by December 1<sup>st</sup> following the entity's June 30<sup>th</sup> year end. The audited financial statements have been submitted late for the years ended June 30, 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011. The June 30, 2004, 2005, 2006, 2007, 2008, 2009 and 2010 audits have been approved by the State Auditor. The June 30, 2011 audited financial statements have been submitted for approved in October 2012.

Criteria

According to the State of New Mexico, Office of the State Auditor publication 2 NMAC 2.2 – Requirements for Contracting and Conducting Audits of Agencies, Section 9.1, the filing date of the audit reports for cities and villages is December 1<sup>st</sup> following the end of the fiscal year.

Cause

The prior audit reports (years ended June 30, 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011) have been submitted to the Office of the State Auditor late.

Effect

According to the state source referred to above, "Failure to file the audit report by the due date set in Section 9.1 is considered non-compliance with 2 NMAC 2.2 and shall be a current year finding." Each entity shall submit a statement to the State Auditor's Office providing an explanation for the delay in submission.

Recommendation

The audit should be completed by the required due date of the State Auditor.

Management Response

The City terminated the three year contract with the FY04 auditing firm when it became apparent that services would not be completed in accordance with the contract. A contract was negotiated with another firm for the FY05 audit. However, due to unforeseen circumstances, they will not be able to continue providing services. The City solicited RFPs for audit services beginning with the FY06 fiscal year and has contracted with a local firm. The FY11 audited financial statements are being submitted late due to the FY04, FY05, FY06, FY07, FY08, FY09 and FY10 audited financial statements late submission.

## 2011-01 Pledged Collateral

### Condition

City deposits with Bank of America were under collateralized as of June 30, 2012 by \$875,000.

### Criteria

State statutes require financial institutions to pledge qualifying collateral to the District to cover at least 50% of the uninsured deposits and 102% of overnight deposits. All collateral is held in third party safekeeping

### Cause

The Bank of America did not pledge collateral securing City deposits as of June 30, 2011.

### Effect

The City was in violation of State Statute.

### Recommendation

The City should establish procedures to have pledged collateral in place before deposits are placed in financial institutions.

### Response

Bank of America does not handle collateral securities themselves and use a third party for the management of the collateral. The agreements were not executed on a timely basis and as a result, pledged collateral was not provided on the deposits as of June 30, 2011. During the fiscal year ended June 30, 2012, all deposits with the Bank of America were liquidated. The City will review any agreements with financial institutions prior to depositing public funds in the future.

## **C. FINDINGS – MAJOR FEDERAL AWARD PROGRAM**

### **Current Year Findings**

#### 2009-1 Noncompliance with OMB Circular No. A-133.320(a)

##### Condition

The audit reporting package was not submitted in a timely manner.

##### Criteria

OMB Circular A-133.320(a) states that the reporting package shall be submitted to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's report or 9 months after the end of the audit period (March 31, 2012).

##### Cause

The City was required to perform a single audit for the year ended June 30, 2011. The City's audits have been submitted late for the last seven years.

Effect

The City is not in compliance with OMB Circular A-133.320(a), requiring the audit report be submitted on a timely basis.

Recommendation

The City should complete its future audits on a timely basis and, if required, submit the reporting package to the Federal Audit Clearinghouse on a timely basis.

Management Response

The City will complete its future audits on a timely basis and, if required, will submit the reporting package to the Federal Audit Clearinghouse on a timely basis.

**Financial Statement Presentation**

The City's financial statements were prepared by David Berry, CPA, PC. Management has reviewed and approved these financial statements. Management is responsible for ensuring that the books and records from which the financial statements were prepared adequately support the financial assertions contained therein, in conformity with generally accepted accounting principles and that the records are current and in balance.

**CITY OF AZTEC  
EXIT CONFERENCE  
Year Ended June 30, 2011**

An exit conference was held on October 18, 2012. In attendance were:

For the City of Aztec:

Jim Crowley  
Joshua Ray  
Kathy Lamb

Mayor Pro-Tem  
City Manager  
Finance Director

For David Berry, CPA, PC (auditors):

David Berry, CPA